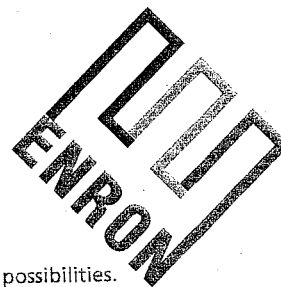
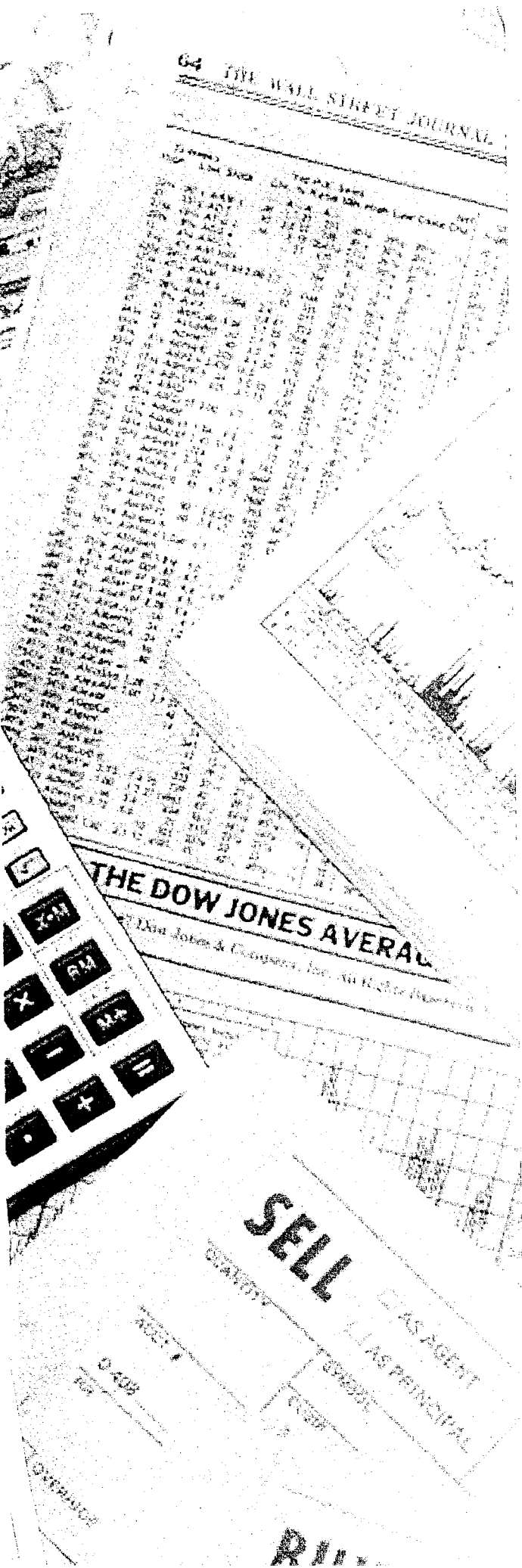


**CONFIDENTIAL**

*Reber*



Endless possibilities.

EC004400921

## Finance Committee Meeting

**October 11, 1999**

**Committee Members**

Mr. Herbert S. Winokur, Jr., Chairman  
Mr. Robert A. Belfer  
Mr. Norman P. Blake, Jr.  
Mr. Ronnie C. Chan  
Mr. Jerome J. Meyer  
Mr. John A. Urquhart

**GOVERNMENT  
EXHIBIT  
512**

Crim. No. H-04-25 (S-2)

## Agenda

EC004400922

**AGENDA**  
**Meeting of the Finance Committee**  
**of the Board of Directors of Enron Corp.**

**October 11, 1999**  
**Enron Corp. Boardroom**  
**Houston, TX**

1. Approval of August 9, 1999 Finance Committee Minutes

Mr. Winokur

2. Chief Financial Officer Report

Mr. Fastow

◇ LJM II

- Approve for Recommendation to the Board

3. Treasurer Report

Mr. McMahon

◇ Revision of Equity Shelf Registration

- Approve for Recommendation to the Board

◇ Use of Enron Stock for Small Acquisitions (<\$20M)

- Approve for Recommendation to the Board

4. Chief Risk Officer Report

Mr. Buy

5. Other Business

◇ Dividend Policy

6. Adjourn

*\* See Addendum for Deal Approval Sheets*

EC004400923



EC004400924

**Agenda Item 1**

# **Enron Corp**

## **Finance Committee Minutes October 11, 1999**

EC004400925



Finance Committee Meeting  
1999/JM-10/99

DRAFT

MINUTES  
MEETING OF THE FINANCE COMMITTEE  
OF THE BOARD OF DIRECTORS  
ENRON CORP.  
August 9, 1999

Minutes of a meeting of the Finance Committee ("Committee") of the Board of Directors of Enron Corp. ("Company"), noticed to begin at 4:00 p.m. C.D.T., on August 9, 1999, but actually begun at 4:20 p.m., C.D.T., at the Enron Building in Houston, Texas.

All of the Committee members were present, either in person or by telephone conference connection, where each participant could hear the comments of the others and join in the discussion, as follows:

Mr. Herbert S. Winokur, Jr., Chairman  
Mr. Robert A. Belfer  
Mr. Norman P. Blake, Jr.  
Mr. Ronnie C. Chan  
Mr. Jerome J. Meyer  
Mr. John A. Urquhart

Directors Kenneth L. Lay, Charles A. LeMaistre, and Jeffrey K. Skilling, Messrs. Richard B. Buy, Richard A. Causey, David B. Gorte, Andrew S. Fastow, Mark E. Koenig, Theodore R. Murphy, and Joseph W. Sutton, and Ms. Rebecca C. Carter, all of the Company or affiliates thereof, also attended the meeting. Director Ken L. Harrison joined the meeting in progress as noted below.

The Chairman, Mr. Winokur, presided at the meeting, and the Secretary, Ms. Carter, recorded the proceedings.

Mr. Winokur called the meeting to order and noted that a draft of minutes of the meeting of the Committee held on May 3, 1999 had been distributed to the Committee members. He called for any corrections or additions. There being none, upon motion duly made by Mr. Blake, seconded by Mr. Chan, and carried, the minutes of the meeting of the Committee held on May 3, 1999 were approved as distributed.

Mr. Winokur called upon Mr. Fastow to present the Chief Financial Officer's report. Mr. Fastow reviewed key financial ratios and the investments

made during 1999 by business unit and compared them to the plan amount. He stated that the plan numbers were not meant to indicate the anticipated expenditures for the year but instead reflected a level of expenditures that would not necessitate additional financing activities. He discussed the status of capital outflows year-to-date and commented on the equity transactions the Company had undertaken to fund the outflows. He discussed an action plan to add to the Company's liquidity and noted the benefits of making additional asset sales. He reviewed the Company's cost of capital and borrowing spreads and answered questions from the Committee. A copy of Mr. Fastow's report is filed with the records of the meeting.

Mr. Fastow then presented the Treasurer's report. He reviewed the liquidity report and discussed financings that had occurred since the May Committee meeting. He discussed the active letters of credit and the guaranty portfolio. He noted that there was no change in the rating summary and added that he was still working on a credit rating upgrade from Moody's. He addressed liquidity stress test analyses that had been performed and potential financing alternatives that could be utilized to address any liquidity issues. He updated the Committee on the potential impact that Year 2000 issues could have on liquidity and year-end closings. A copy of Mr. Fastow's report is filed with the records of the meeting.

Mr. Fastow then discussed the proposed issuance of exchangeable notes that are mandatorily exchangeable or convertible into shares of Enron Oil & Gas Company ("EOG") common stock. He stated that the issuance was in accordance with the Share Exchange Agreement between the Company and EOG that was approved by the Executive Committee of the Board on July 16, 1999. Following a discussion, upon motion duly made by Mr. Meyer, seconded by Mr. Blake, and carried, the proposed issuance of exchangeable notes was approved for recommendation to the Board.

Mr. Winokur called upon Mr. Buy to present the Chief Risk Officer's report, a copy of which is filed with the records of the meeting. Mr. Buy began the presentation with an overview of the Company's assets by region, noting the division between "merchant" and "strategic" assets and emerging versus developed markets. He then discussed the Company's Merchant Portfolio and noted syndications, hedges, monetizations, and reserves that offset the Company's total investment. He commented on the Company's credit exposure, with specific emphasis on the top 25 credit exposures and the ten most material non-performing debt instruments. He reviewed the equity investment portfolio by industry and geographic region and discussed how the investments were performing against expectations. He noted that the Company had recently formed a new restructuring group and he discussed the Company's success, during the period 1994 through

1999, in restructuring poorly performing assets. He reviewed the top and bottom ten performing investments and the fair market value write-ups that had been taken during 1999. He answered questions from the Committee regarding the performance of the Merchant Portfolio.

Dr. LeMaistre left and Mr. Harrison joined the meeting.

Mr. Buy presented the Committee with an update on market risk, a copy of which is filed with the records of the meeting. He reviewed the risk profile, quarterly profit and loss, and value-at-risk ("VAR") of the Company by commodity group. He discussed exposures under a "worst case" scenario of 5%-25% shifts in commodity prices and reviewed a stress test matrix that identified the impact of changes in price and volatility on VAR. He commented on the volatility in power markets during the second quarter, noting that certain companies within the industry had difficulties performing under their contracts but there was no significant impact on the Company. Mr. Skilling discussed the financial impact of the position the Company had taken in the North American power markets during the late spring and early summer months and the current position the Company had for the remainder of the summer. Mr. Buy reviewed limit violations during the first and second quarters of 1999, noting that there were no violations that required Committee notification.

Mr. Buy presented recommended changes to the Enron Corp. Risk Management Policy ("the Policy"), a copy of which is filed with the records of the meeting. He discussed changes in the net open position and/or VAR limits for emission allowances, Australian electricity, and European natural gas and electricity. He also proposed that a new product, "bandwidth", be added to the interim policy section of the Policy as a new commodity group. Following a discussion, upon motion duly made by Mr. Belfer, seconded by Mr. Blake, and approved, the changes to the risk management policy were approved for recommendation to the Board.

Mr. Buy then presented recommended changes to the Company's transaction approval process to reflect the addition of Mr. Sutton to the Office of the Chairman and the addition of originated contractual transactions to the process. Following a discussion, upon motion duly made by Mr. Blake, seconded by Mr. Urquhart, and approved, the changes to the transaction approval process were approved for recommendation to the Board.

Mr. Buy then presented a recommended revision to the Company's Guarantee Policy to more closely align approvals to those required by the transaction approval process. Following a discussion, upon motion duly made by



Mr. Urquhart, seconded by Mr. Blake, and approved, the revision to the Guarantee Policy was approved for recommendation to the Board.

There being no further business to come before the Committee, the meeting was adjourned at 5:30 p.m., C.D.T.

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Secretary

APPROVED:

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Chairman

J:\User\rcarter\Minutes\1999 Minutes\8999F.doc

EC004400929

EC004400930

## **Agenda Item 2**

7

# **Enron Corp**

## **Chief Financial Officer Report**

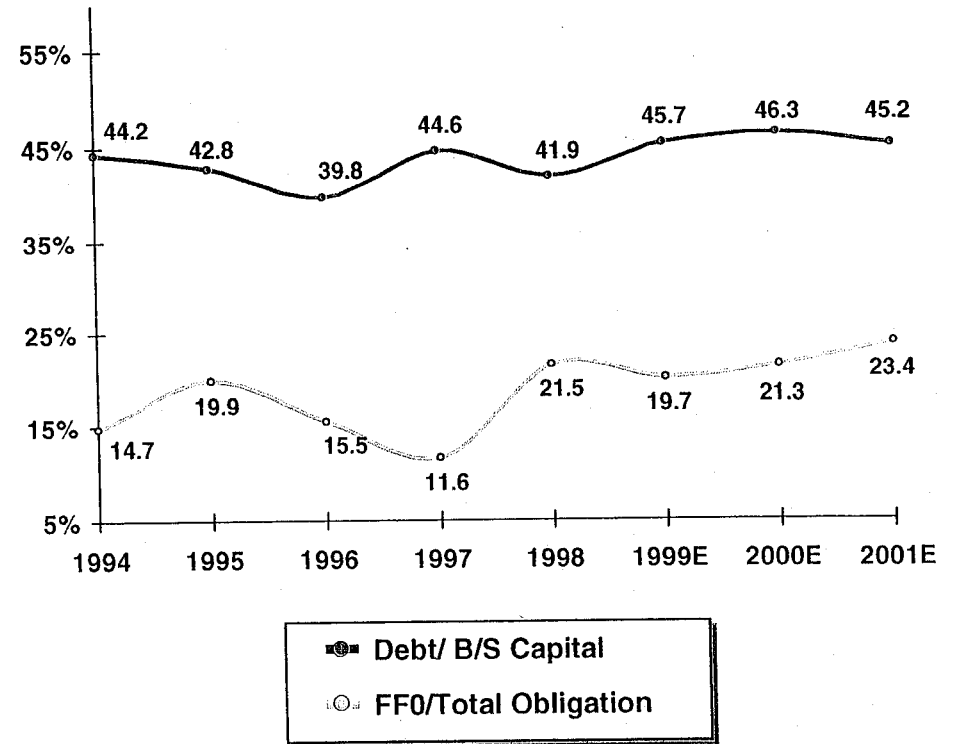
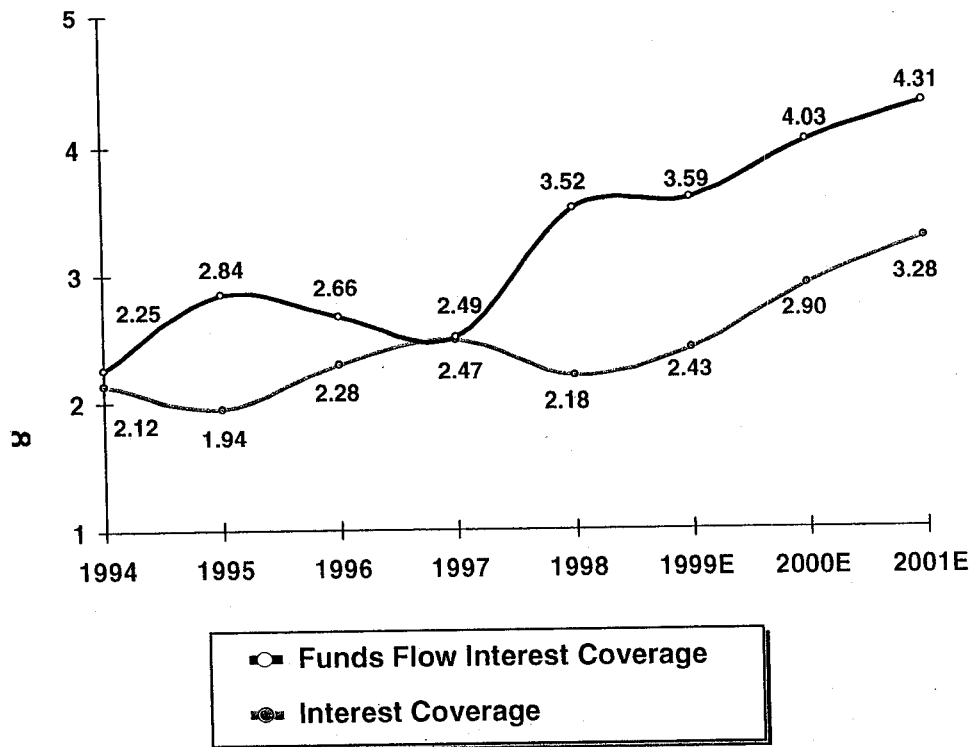
### **October 11, 1999**

EC004400931



Finance Committee Meeting  
1999/JM-10/99

# Key Financial Ratios



Rating Ranges*	A	A-	BBB+	BBB	BBB-
Funds Flow/Interest	4.65	4.05	3.45	2.88	2.34
Interest Coverage	4.15	3.55	2.95	2.53	2.28
Debt/BS Capital	45.1%	47.9%	50.8%	53.6%	56.4%
FFO/Total Obligations	33.5%	30.1%	26.7%	23.5%	20.5%

\* Ratios are minimums for the related category

EC004400932

ENRON

Finance Committee Meeting  
1999/JM-10/99

# Long-Term Liability Analysis

## Fixed/Floating Mix

(in \$ millions)

	Balance Sheet (as of 9/30/99 est.)			Off Balance Sheet (as of 9/30/99)			Project Debt (as of 6/30/99)			Combined		
	<u>Floating</u>	<u>Fixed</u>	<u>Total</u>	<u>Floating</u>	<u>Fixed</u>	<u>Total</u>	<u>Floating</u>	<u>Fixed</u>	<u>Total</u>	<u>Floating</u>	<u>Fixed</u>	<u>Total</u>
Short Term	1,387	7	1,394	-	-	-	-	-	-	1,387	7	1,394
Long Term	494	7,073	7,567	826	-	826	530	8,191	8,721	1,850	15,264	17,114
	1,881	7,080	8,961	826	-	826	530	8,191	8,721	3,237	15,271	18,508
	21%	79%		100%	0%		6%	94%		17%	83%	

### P/L Sensitivity Analysis

50 bps change in interest rate = \$11m after tax (\$.013/share)

EC004400933



Finance Committee Meeting  
1999/JM-10/99

# Stock Trading Portfolio

## Mark-to-Market Basis

### Position - Thousands of Shares

51

	<u>1/1/99</u>	<u>Purchases</u>	<u>Sales</u>	<u>9/30/99</u>
ENE Stock	12,012	-	(12,012)	-
EOG Stock	-	11,500	(11,500)	-
EOT	-	-	-	-
AZX	-	-	-	-

EC004400934



Finance Committee Meeting  
1999/JM-10/99

X

# 1999 Investments to Date

(in millions USD)

*Items Specifically Identified*

	<u>Actual</u>	<u>Plan</u>	<u>Over (Under)</u>
Transmission & Distribution	100	19	81
Wholesale	3,597	652	2,945
Retail	467	160	307
Communications	5	5	0
Corp/Other	75	264	(189)
	<u>4,244</u>	<u>1,100</u>	<u>3,144</u>

EC004400935



Finance Committee Meeting  
1999/JM-10/99

# Status of Capital Commitments

(in \$ millions)

<u>Commitments to Date:</u>	<u>Business Unit/ Region</u>	<u>1999 Total</u>
Capital Outflows per 1999 Operating Plan		3,021
Less: Non Discretionary Capital		(1,921)
Discretionary Capital		<u>1,100</u>

## Expenditures to Date:

Humpuss (4)	Asia Pacific/Africa/China	(25)
Korea (arapaho)	Asia Pacific/Africa/China	(243)
Philippine Barge Acquisition	Asia Pacific/Africa/China	(54)
Pusan City Gas Company (Papoose)	Asia Pacific/Africa/China	(27)
Other (3)	Asia Pacific/Africa/China	(28)
CDE Capitalization	Caribbean/Middle East	(72)
Panama Privatization	Caribbean/Middle East	(92)
Other (5)	Caribbean/Middle East	(50)
Other (1)	ECI	(5)
Other (3)	EE&CC	(18)
Other (4)	EEDC	(26)
Panther	EES	(68)
Project Nebraska	EES	(120)
Suiza Dairy	EES	(30)
TRS Repurchases	EES	(65)
TYCO	EES	(71)
Other (9)	EES	(84)
TRS Repurchases	EI	(200)
Tax transaction (cochise)	ENE	(75)
Rodeo	EOTT	(35)
Trakya Debt Facility	Europe	(29)
TRS Repurchases	Europe	(562)
Other (3)	Europe	(16)

EC004400936



Finance Committee Meeting  
1999/JM-10/99



# Status of Capital Commitments (cont'd)

(in \$ millions)

<u>Commitments to Date:</u>	<u>Business Unit/ Region</u>	<u>1999 Total</u>
Dabhol I & II	India	(362)
Other (5)	India	(49)
Bethlehem Steel Loan	North America	(50)
CoGen Technologies	North America	(65)
East Coast Power Turbine Purchase	North America	(38)
Embryo	North America	(36)
Mariner Sr. Revolver	North America	(25)
Pastoria	North America	(28)
Peakers	North America	(500)
Pittsburg District Energy Facility*	North America	(27)
Powder River II	North America	(28)
Prima Powder River LLC	North America	(29)
Project Escape	North America	(27)
Purchase of Two ABB GT11N1 CTs	North America	(36)
Tribasa	North America	(27)
TRS Repurchases	North America	(100)
Other (27)	North America	(305)
Beaver-Plant Turbines	PGE	(40)
Other (2)	PGE	(25)
Compania Distribuidora de Gas (CEG)	South America	(38)
Elektro	South America	(404)
Other (1)	South America	(12)
<b>Total Deals</b>		<b>(4,244)</b>

EC004400937



Finance Committee Meeting  
1999/JM-10/99

✓

# Status of Capital Commitments (cont'd)

## (in \$ millions)

*Reconcile Balance Sheet to Meet Plan*

Over(Under) Plan

**1999 Total**

**3,144**

### Enron Global Finance Transactions

#### Equity Transactions

Common Equity Issuance	830
CoGen Technologies Equity Issuance	250
Day Break Equity	500
Brazil CTA Adjustment	(626)
Azurix Equity Issuance	252
Total Equity Additions	<u>1,206</u>

#### Proposed Cash Flow Transactions

Corp	1,090
North America	567
Emerging Markets	161
	<u>1,818</u>

**Shortfall (Excess) Balance Sheet Capacity**

**867**

- (1) Project Yellow is committed to an additional \$15 MM in CAPEX during years 1-5 for which no financing commitment has been made.  
 (2) ECOGAS - Upon the closing date ECT will make an initial payment of \$24 MM. Nine months after closing, ECT would make an intermediate payment. A final payment would be made eighteen months after the  
 (3) Project Doyle's remaining progress payments will be settled on 4/1/00.  
 (4) Humpuss per DASH \$25 MM

EC004400938



Finance Committee Meeting  
1999/JM-10/99

# Enron Corp.

## Funds Flow Management Transactions

(in \$ millions)

*Biggest impact  
on ratings*

15

	<u>Description</u>	<u>Amount</u>	<u>Market</u>	<u>Timing</u>
<b><u>North America Transactions</u></b>				
Kafus	Monetization of Equity	98	Private	Nov
Mariner Revolver	Monetization of Loan Facility	24	Private	Oct
Mariner Convertible	Monetization of Convertible	65	Private	Oct
North America CLO	CBO Translation <i>3<sup>rd</sup> party credit being monetized</i>	230	Public	Nov
East Coast Power Sub Debt	Monetization	150	Private	Nov
Sub Total		<u>567</u>		
<b><u>Emerging Market Asset Sales</u></b>				
Promigas	Monetization of Stock	105	Condor	Nov
Centragas	Monetization of Stock	40	Condor	Nov
Guatemala	Monetization of Equity	16	Condor	Nov
Sub Total		<u>161</u>		
<b><u>Enron Corp Transactions</u></b>				
Merchant Asset Exchange	Creation of Minority Interest for Funds Flow	250	Bank	Nov
JEDI 1 Stock Leverage	Monetization of Additional ENE Stock Value	250	Bank	Nov
Prepays	Commodity Prepay	245	Bank	Sep
Rythms Monetization	Monetization of Value	345	Bank	Nov
Sub Total		<u>1,090</u>		
<b>Total</b>		<u><u>1,818</u></u>		

EC004400939



Finance Committee Meeting  
1999/JM-10/99

*Distributed during presentation (after slide 15)*

## **Funds Flow Issue**

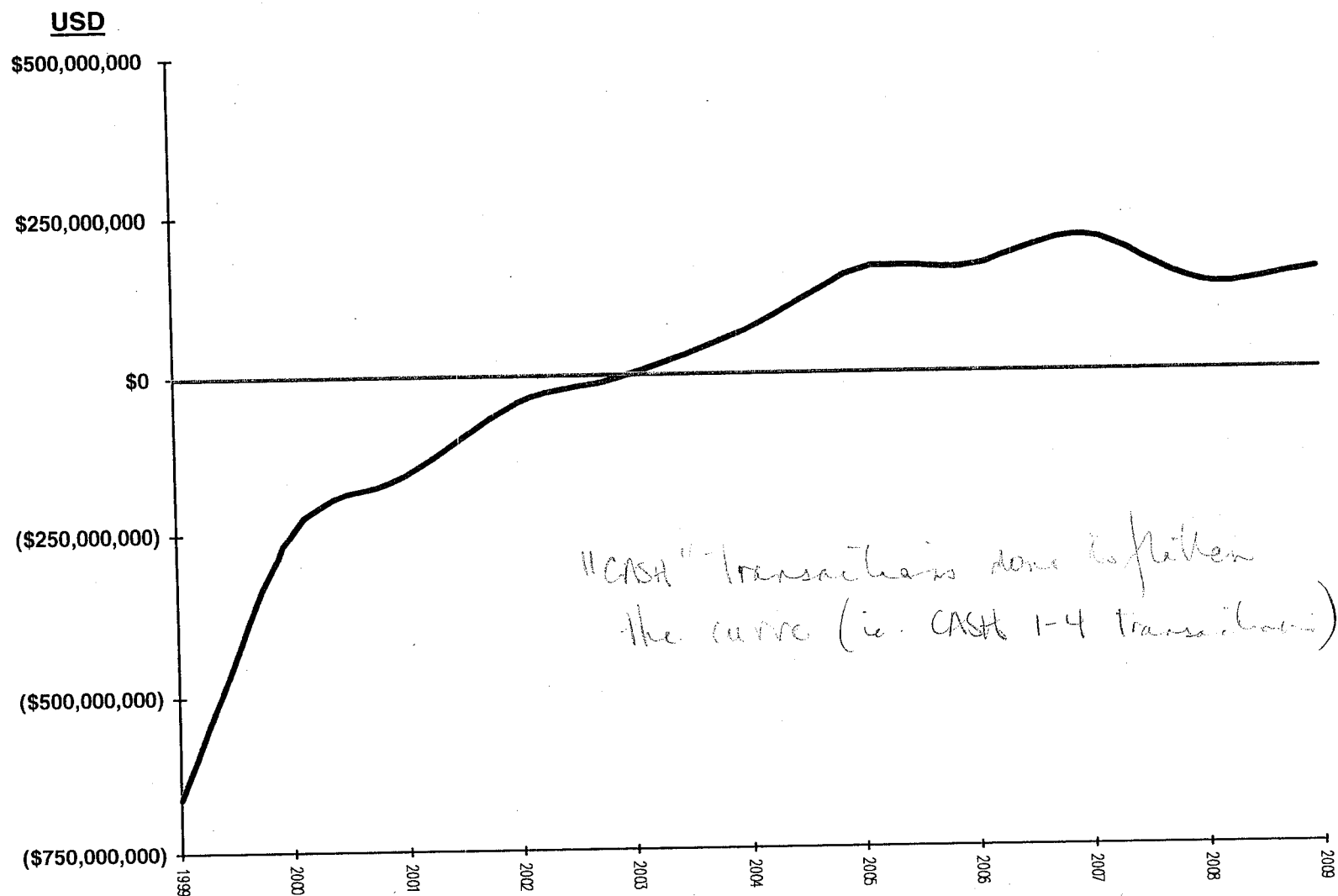
- **Merchant Investments**
- **Commodity Books**

EC004400940



JM-10/99-1

# Commodity Book Cash Flows as of 9/30/99

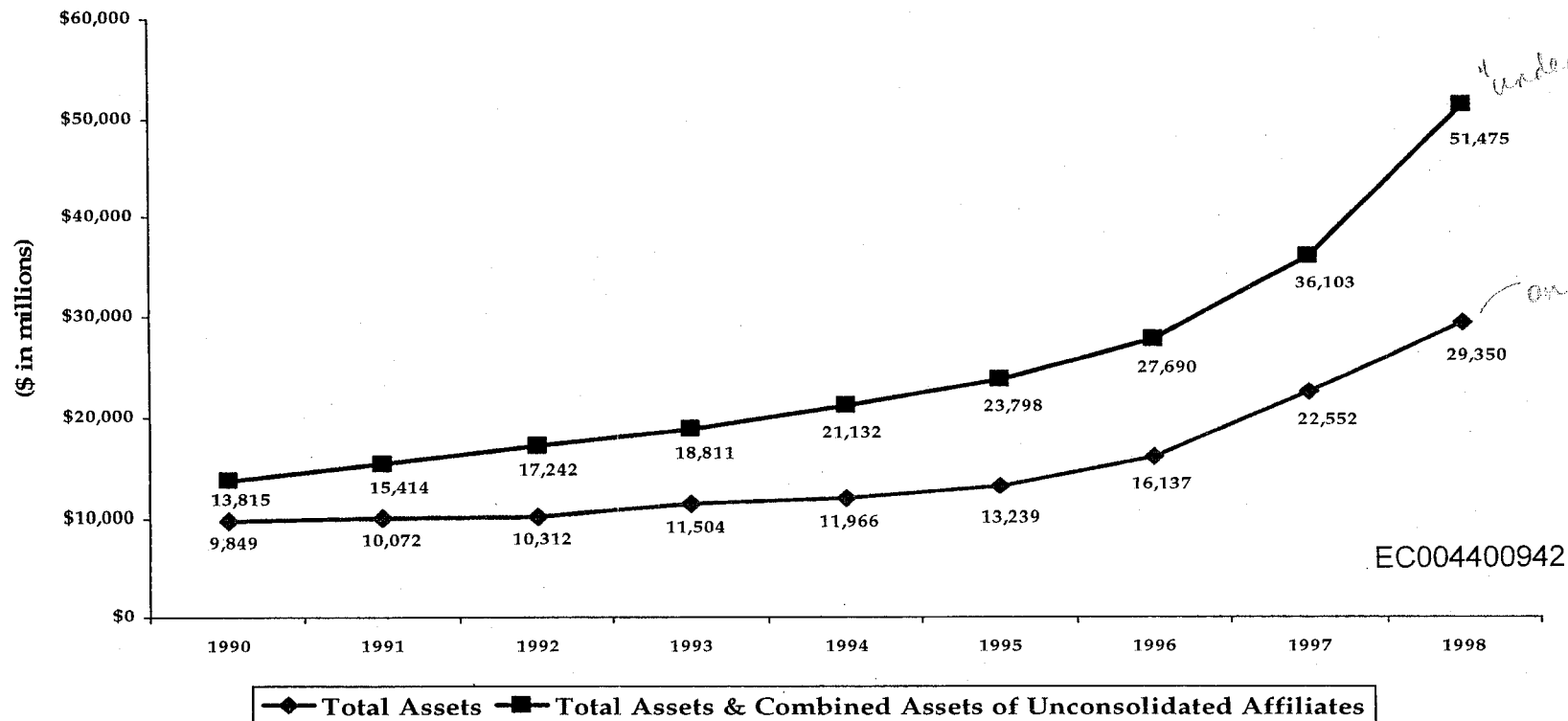


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TD-09/99-33

# Private Equity Strategy

- Continued significant capital investment by Enron
- Energy and communications investments typically do not generate significant cash flow and earnings for 1-3 years
- Limited cash flow to service additional debt
- Limited earnings to cover dilution of additional equity
- Result: Enron must syndicate its capital investments in order to grow



# Selected Funds Flow/Balance Sheet Vehicles

<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Cactus	Cactus 2	Cactus 3					
JEDI							
	Cash 1	Cash 2	Cash 3	Cash 4			
	Prepay	Prepay 2	Prepay 3	Prepay 4	Prepay 5		
			Enserco				
				Nighthawk			
				EES LLC			
					JEDI 2		
					Euro Cash 1	Euro Cash 2	
					Rawhide		
					Marlin		
					Firefly		
						LJM	LJM 2
						Yosemite	Yosemite 2
						Margaux	
						Condor	

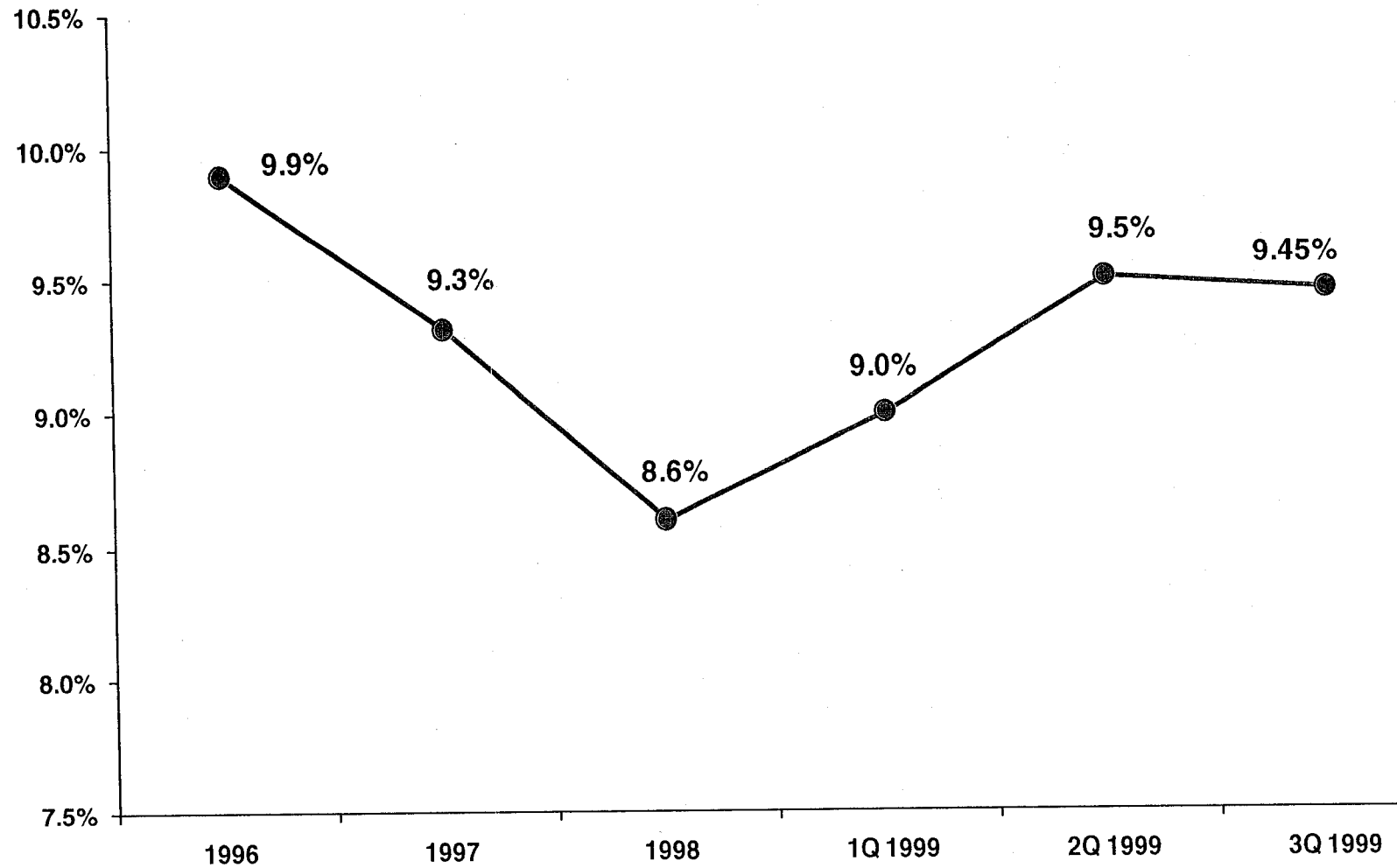
Note: Additional Individual Asset Sales Not Included

EC004400943



JM-10/99- 2

# Cost of Capital\*



\* Calculated using CAPM Model

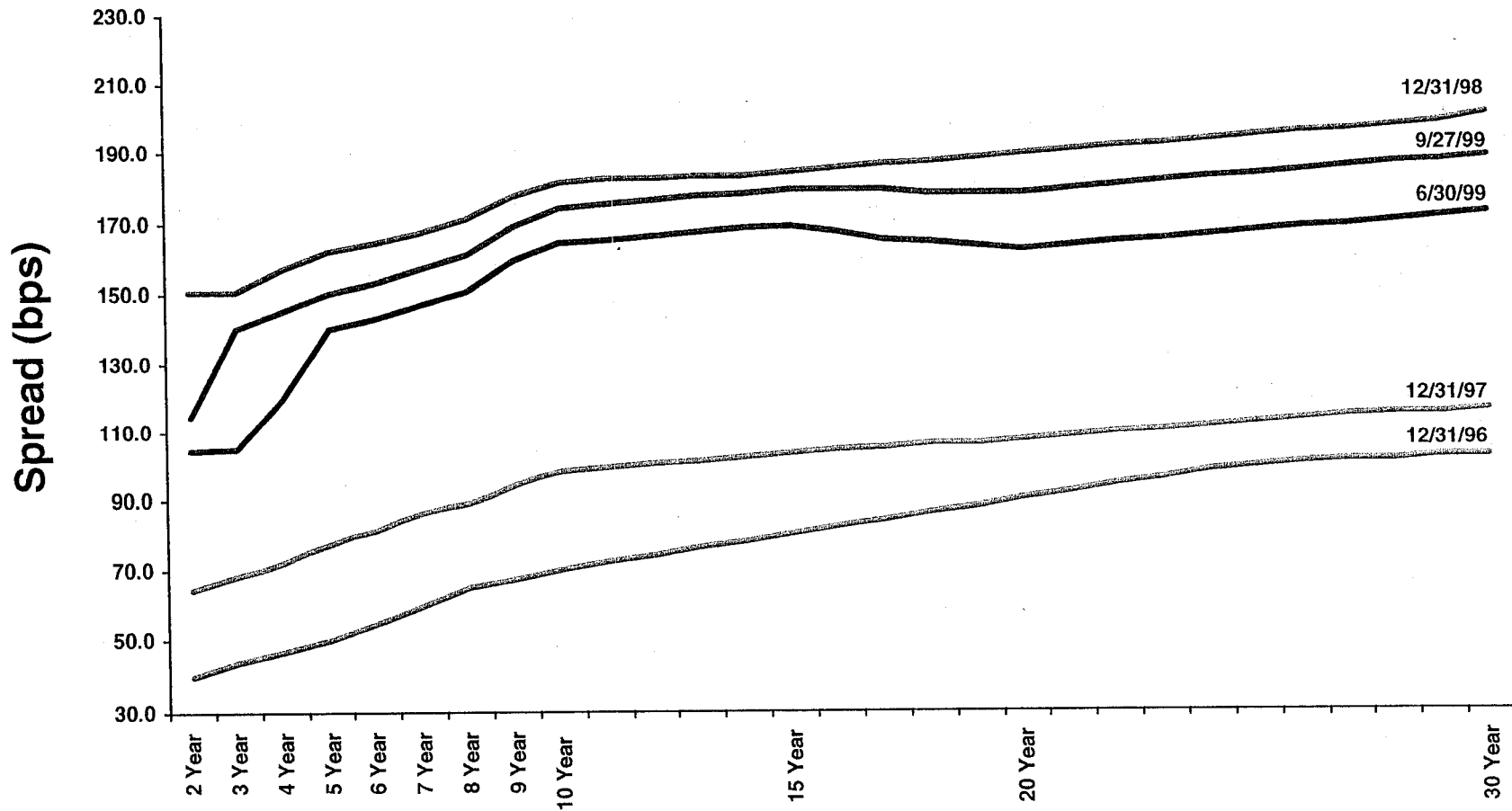
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Finance Committee Meeting  
1999/JM-10/99



# Enron Corp. Borrowing Spreads

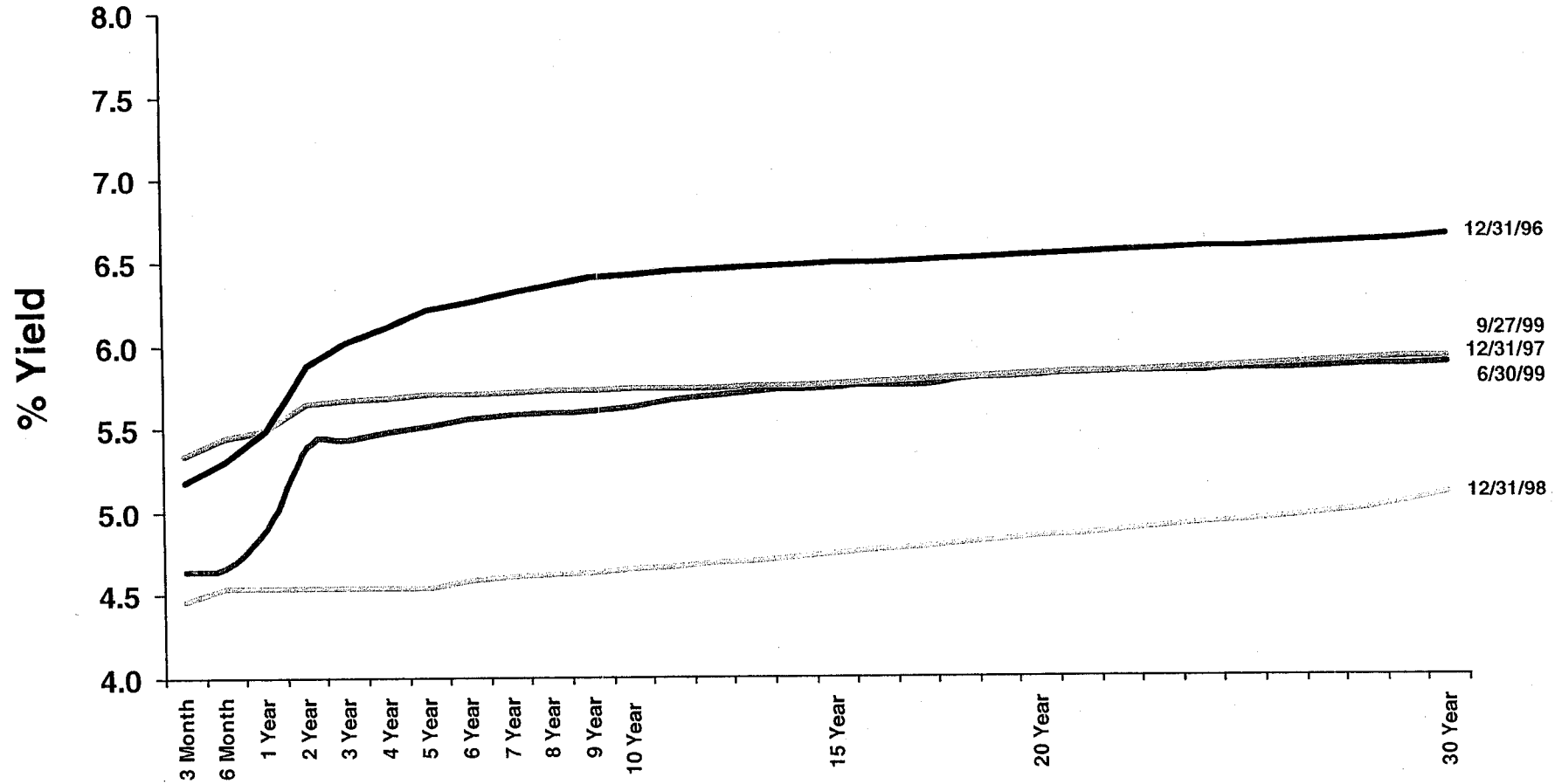


EC004400945



Finance Committee Meeting  
1999/JM-10/99

# U.S. Treasury Yield Curve

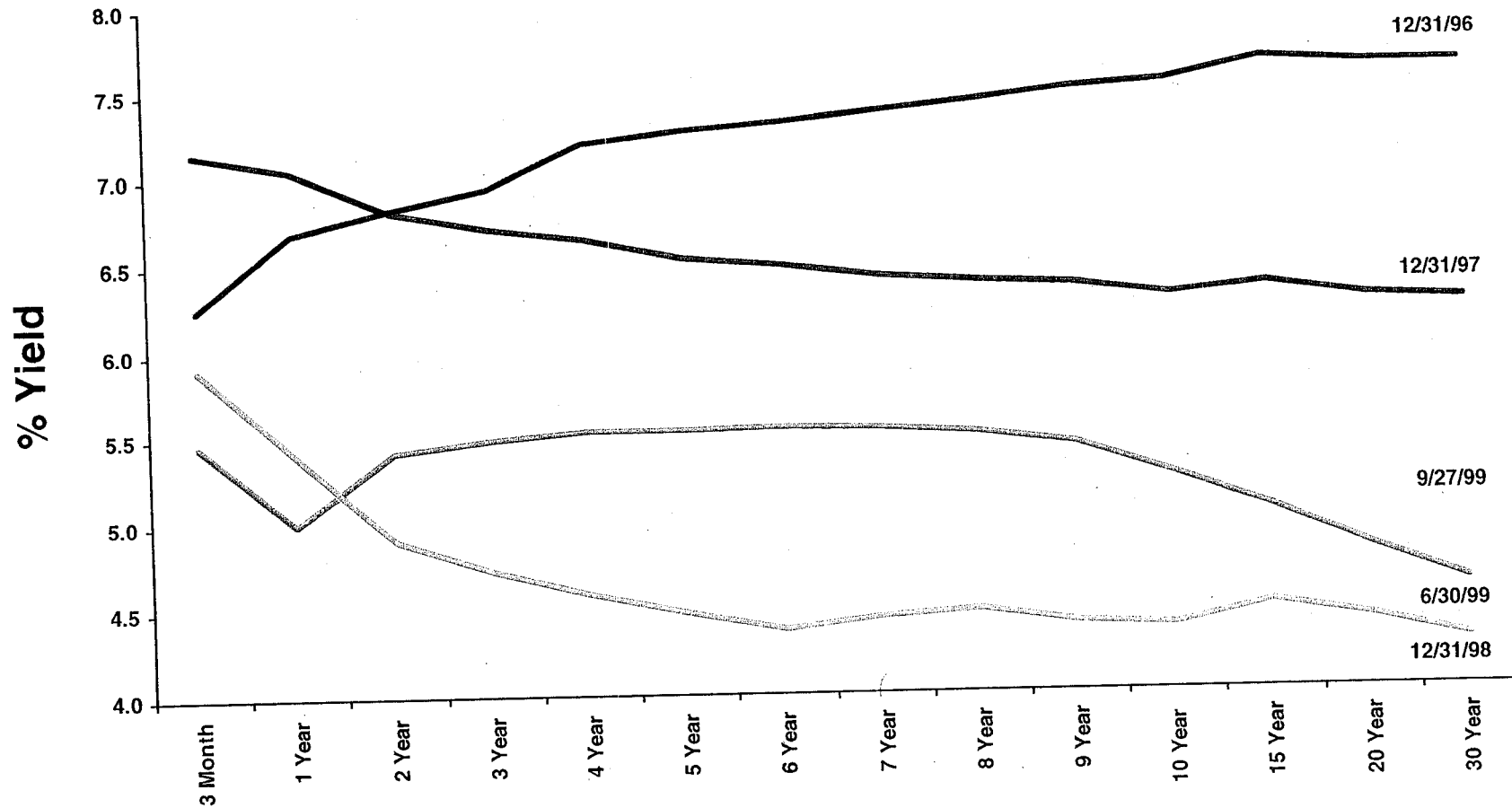


EC004400946



Finance Committee Meeting  
1999/JM-10/99

# U.K. Yield Curve



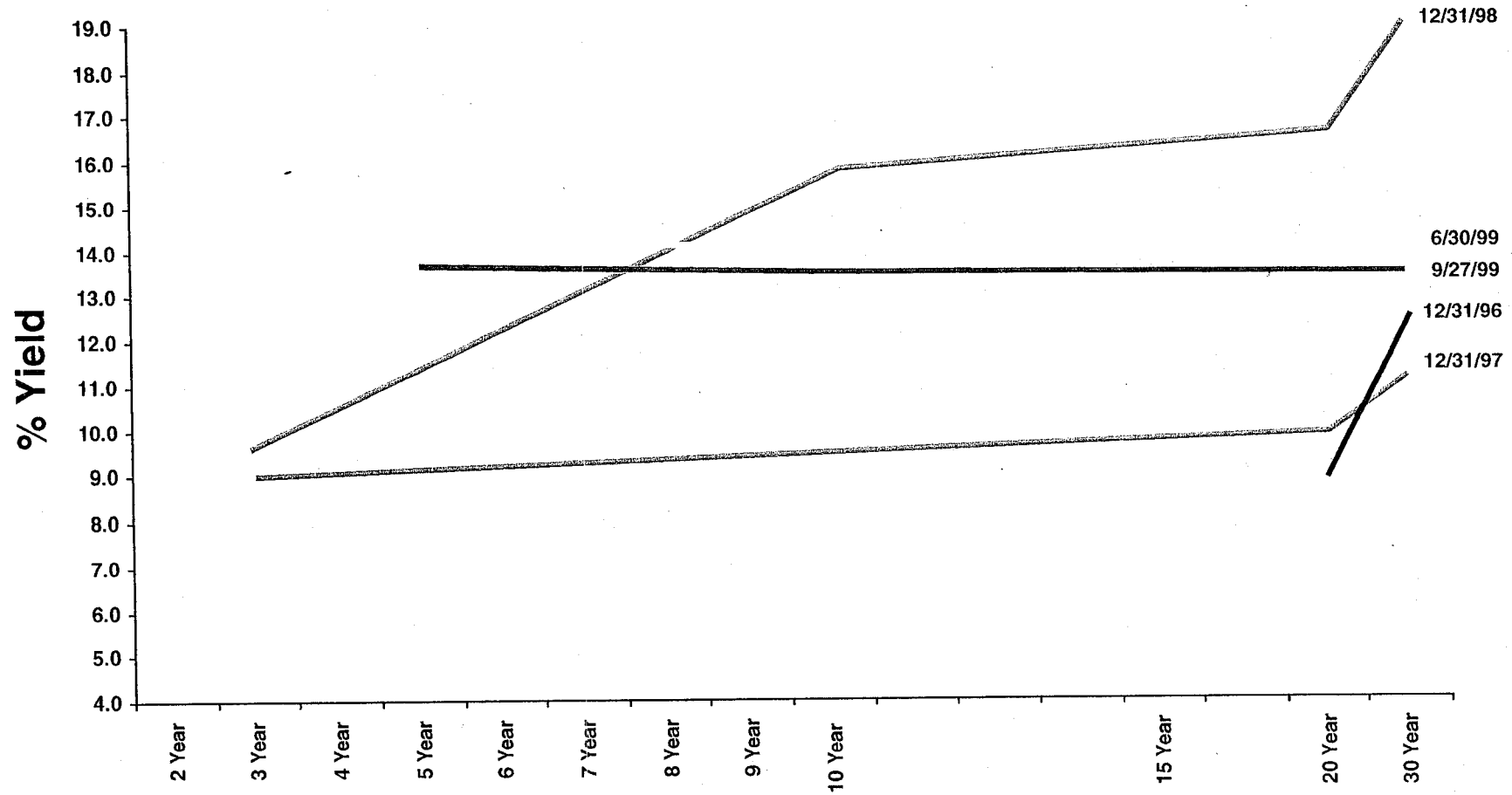
EC004400947



Finance Committee Meeting  
1999/JM-10/99

# Brazil Yield Curve

UC



EC004400948



Finance Committee Meeting  
1999/JM-10/99

# LJM1 Update

- Closed June 30
- \$16 million outside equity raised
- Forward contract "restructuring" completed
- Benefits to Enron
  - \$50 million cash payment to Enron increased to \$64 million
  - Rhythm Netconnections swap in the money \$164 million for Enron\*
  - Purchased \$15 million equity in Condor
    - Bridged Project Margaux
    - Purchased Promigas
    - Purchased Sarlux
  - Purchased stake in Cuiaba
  - Services Agreement
- Positioned as an alternative, optional source of private equity for Enron to manage its investment portfolio risk, funds flow, and financial flexibility

21

*End  
of 3rd Qtr.*

*Helped manage risk to Enron  
by selling Enron assets*

*\*As of September 30, 1999*

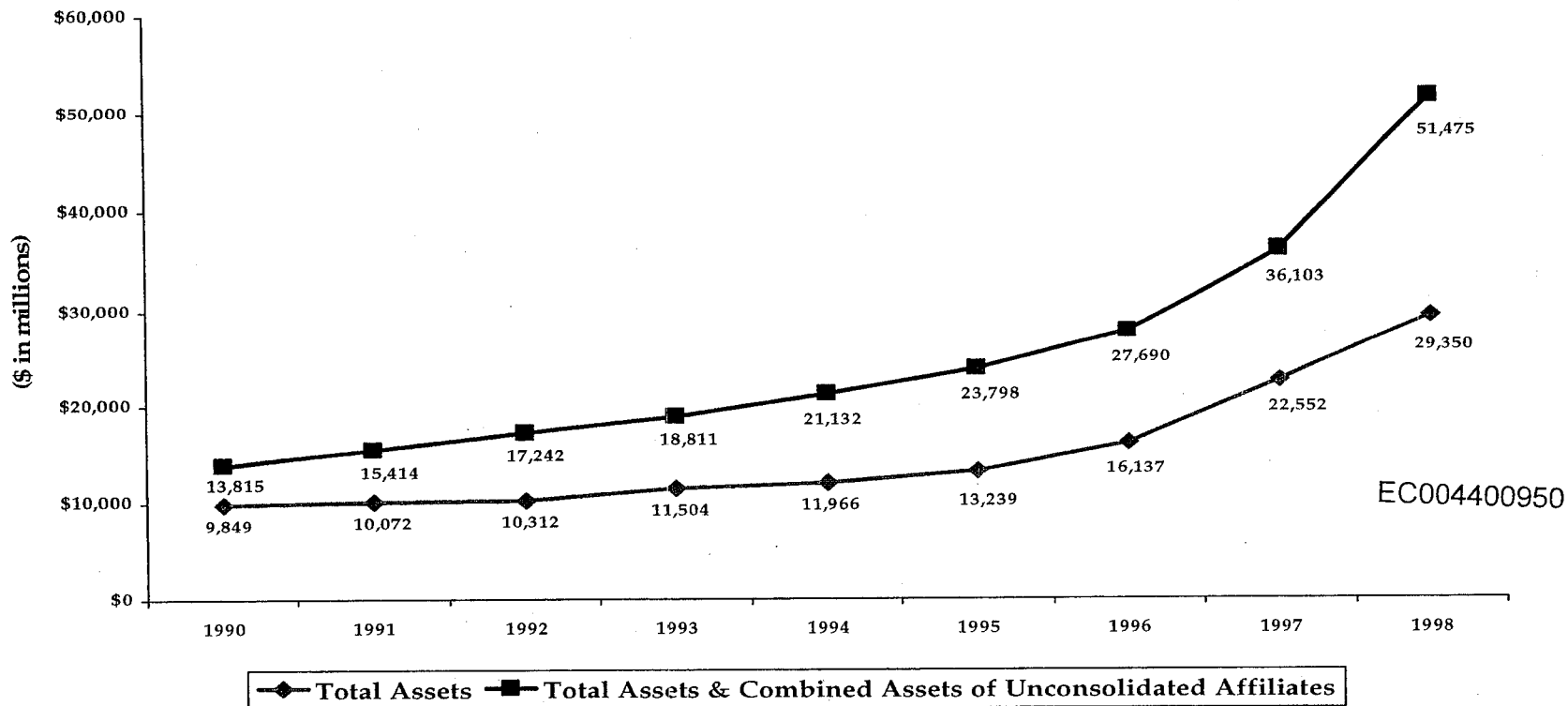
EC004400949



Finance Committee Meeting  
1999/JM-10/99

# Private Equity Strategy

- Continued significant capital investment by Enron
- Energy and communications investments typically do not generate significant cash flow and earnings for 1-3 years
- Limited cash flow to service additional debt
- Limited earnings to cover dilution of additional equity
- Result: Enron must syndicate its capital investments in order to grow



# Rationale for LJM 2 Structure

*"flow-on" fund*

- New FASB consolidation rules
- Better ability to manage risk positions (non-affiliate status)
- Better ability to manage financial flexibility

EC004400951



Finance Committee Meeting  
1999/JM-10/99

# LJM 2 Summary

*LP will be traditional pension funds*

○ Follow-on private equity fund to LJM1

*bring quick flexible equity*

○ Purpose: Alternative, optional source of private equity for Enron to manage its investment portfolio risk, funds flow, and financial flexibility

○ Major differences from LJM1:

- No forward contracts / value from Enron contributed
- No business relationships between Enron and LJM2 at close
- Size: target \$200+ million institutional private equity
- GP investment: 1% of committed capital

○ Controls

- R. Causey to approve all transactions between Enron and LJM1/LJM2

○ Compensation / Disclosure

- No compensation from Enron to A. Fastow
- LJM2 has typical private equity fund fees and promote
- No related party disclosure expected at close. Related party disclosures specific to asset sales probably required.

EC004400952

○ Finance Committee / Board of Directors action requested

- Ratify decision of Office of the Chairman to waive Code of Conduct in order to allow A. Fastow participation in LJM2 as General Partner

*Bake: Has MR reviewed Causey's letter? fine w/ it.*

*Bake: Still concerned about conflict of interest Causey - Give LP enough authority to keep Andri from having too much power. LP can remove AP w/out cause.*



Finance Committee Meeting  
1999/JM-10/99

*X*



Agenda Item \_\_\_\_\_  
**RATIFICATION OF DETERMINATION**  
(Suggested Form of Resolutions)

WHEREAS, Andrew S. Fastow serves as the Executive Vice President and Chief Financial Officer of the Company;

WHEREAS, Mr. Fastow has the opportunity to participate in the formation of an investment partnership (the "Partnership") that would not otherwise be affiliated with the Company;

WHEREAS, it is anticipated that Mr. Fastow will serve as the managing partner/manager of the Partnership;

WHEREAS, it is anticipated that the Partnership will invest in energy and communications-related businesses and assets, including businesses and assets of the Company;

WHEREAS, the Partnership, as a potential ready purchaser of the Company's businesses and assets or as a potential contract counterparty, could provide liquidity, risk management and other financial benefits to the Company;

WHEREAS, the Office of the Chairman of the Company has determined, for the foregoing reasons, that Mr. Fastow's participation as the managing partner/manager of the Partnership will not adversely affect the interests of the Company;

NOW THEREFORE BE IT RESOLVED, that the Board hereby adopts and ratifies the determination by the Office of the Chairman pursuant to the Company's Conduct of Business Affairs/Investments and Outside Business Interests of Officers and Employees that participation of Mr. Fastow as the managing partner/manager of the Partnership will not adversely affect the interests of the Company; and

RESOLVED FURTHER, that the proper officers of the Company and its counsel be, and each of them hereby is, authorized, empowered, and directed (any one of them acting alone) to take any and all such further action, to amend, execute, and deliver all such further instruments and documents, for and in the name and on behalf of the Company, under its corporate seal or otherwise, and to pay all such expenses as in their discretion appear to be necessary, proper, or advisable to carry into effect the purposes and intentions of this and each of the foregoing resolutions.

EC004400953

**Agenda Item 3**

EC004400954

# **Enron Corp**

## **Treasurer Report**

### **October 11, 1999**

EC004400955



Finance Committee Meeting  
1999/JM-10/99

# Enron Corp.

## Liquidity Report

as of September 30, 1999  
(\$000's)

	Overnight	1-30 Days	31-60 Days	61-90 Days	91 and over	Total
Commercial Paper & Uncommitted Lines	1,500,000					1,500,000
Bank Facilities:						
27 Multi-currency	92,948					92,948
BHF	23,500					23,500
Accounts Receivable Facility	60,000					60,000
Shelf Registration - Debt		500,000				500,000
Shelf Registration - Equity <sup>1</sup>		300,000				300,000
Monetizations:						
Commodity Books			250,000			250,000
Portfolio				1,000,000	2,310,000	3,310,000
	1,676,448	800,000	250,000	1,000,000	2,310,000	6,036,448

*feeling better about Y2k impact on liquidity*

<sup>1</sup> Reflects 7.5mm shares at \$40 per share.

EC004400956



Finance Committee Meeting  
1999/JM-10/99

*McM*

# 1999 Finance Transactions

## Business Unit Summary

<b><u>Business Unit</u></b>	<b><u>Jan</u></b>	<b><u>Feb</u></b>	<b><u>Mar</u></b>	<b><u>Apr</u></b>	<b><u>May</u></b>	<b><u>Jun</u></b>	<b><u>Jul</u></b>	<b><u>Aug</u></b>	<b><u>Sep</u></b>	<b><u>Oct</u></b>	<b><u>Nov</u></b>	<b><u>Dec</u></b>	<b><u>Total</u></b>
Azurix	0	507	0	686	0	1,047	0	0	150	0	0	500	2,890
Asia	0	0	0	0	0	0	0	0	0	0	0	129	129
Caribbean	0	15	0	0	7	70	0	0	0	0	0	1,140	1,232
Corp	890	0	100	1,280	1,000	631	0	1,500	931	1,900	0	1,600	9,832
EOTT	0	0	0	0	0	0	0	0	235	0	0	0	235
Europe	0	0	362	260	0	81	0	0	116	360	800	2,300	4,279
FI Gas	0	0	0	0	0	0	0	0	200	0	0	0	200
Global Equity Mkts	0	0	0	0	0	0	190	0	1,500	0	0	0	1,690
India	1,868	165	0	0	0	0	0	0	0	0	0	0	2,033
Intl Structuring	0	0	0	0	125	445	0	0	0	0	0	100	670
Middle East	0	0	0	0	0	0	0	0	0	0	0	900	900
N. America	0	0	0	0	0	550	0	0	748	0	978	50	2,326
Northern Border	0	0	0	0	0	0	0	200	0	0	0	0	200
Northern Natural	0	0	0	0	250	0	0	0	0	0	0	0	250
Portland General	0	0	0	0	0	0	0	100	75	0	0	0	175
S. America	0	0	0	0	0	0	0	0	0	0	0	645	645
<b>TOTAL</b>	<b>2,758</b>	<b>687</b>	<b>462</b>	<b>2,226</b>	<b>1,382</b>	<b>2,824</b>	<b>190</b>	<b>1,800</b>	<b>3,955</b>	<b>2,260</b>	<b>1,778</b>	<b>7,364</b>	<b>27,686</b>

EC004400957



Finance Committee Meeting  
1999/JM-10/99

# Enron Corp.

## Active Letters of Credit by Category

(000's)

	<u>9/30/99</u>	<u>6/30/99</u>	<u>3/31/99</u>	<u>12/31/98</u>
Bids	\$ 64,494	\$ 37,923	\$ 3,420	\$ 1,493
Debt	36,855	239,002	222,402	26,605
Portland General	2,711	2,711	2,711	2,711
Leases	16,534	17,209	17,089	17,329
Performance	280,244	188,398	159,600	114,440
Trade <i>Sought alternative mkt's. for letters of credit - insurance mkt's for trade</i>	114,342	1,084,724	1,164,231	1,184,103
EOTT <i>LC's reduced cost &amp; increased capacity</i>	96,921	85,151	85,789	39,929
Other Third-Party	171,755	169,538	170,210	173,163
Other <i>used priority bonds rather than LC's</i>	88,271	142,575	41,334	18,909
<b>Grand Total</b>	<b><u>\$ 872,127</u></b>	<b><u>\$ 1,967,231</u></b>	<b><u>\$ 1,916,786</u></b>	<b><u>\$ 1,658,682</u></b>

EC004400958



Finance Committee Meeting  
1999/JM-10/99

# Enron Corp.

## Guaranty Portfolio

(000's)

*Biggest user is EES (performance guaranties)*

	<u>9/30/99</u>	<u>6/30/99</u>	<u>3/31/99</u>	<u>12/31/98</u>
Trade(Payment and Performance)	\$15,922,539	\$14,787,192	\$14,063,721	\$12,553,735
EOTT Trade	387,975	314,175	396,680	352,346
Swap Agreements (Master and Individual)	6,739,650	5,832,985	5,482,000	4,756,369
Projects(Non-Debt)	3,444,942	3,402,900	3,154,345	2,912,781
Debt				
Consolidated Subsidiaries	2,301,319	1,701,295	1,646,045	1,241,291
Unconsolidated Subsidiaries	<u>337,746</u>	<u>267,746</u>	<u>267,746</u>	<u>565,808</u>
Grand Total	<u>\$29,134,171</u>	<u>\$26,306,293</u>	<u>\$25,010,537</u>	<u>\$22,382,330</u>

EC004400959



Finance Committee Meeting  
1999/JM-10/99

# Rating Summary

Current Rating	Long Term	Commercial Paper	Outlook
Standard and Poors	BBB+	A2	Stable
Moody's	Baa2	P2	Stable
Duff & Phelps	BBB+	D-2	Stable
Fitch	BBB+	F-2	Stable

*No changes*

EC004400960



Finance Committee Meeting  
1999/JM-10/99

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# Moody's Update

- Meetings held on September 8, 1999

Moody's

John Diaz - Head of Energy and Utilities  
Stephen Moore - Enron Analyst

Enron

Jeff Skilling  
Andy Fastow  
Jeff McMahon

- Purpose - To formally request upgrade to Baa1

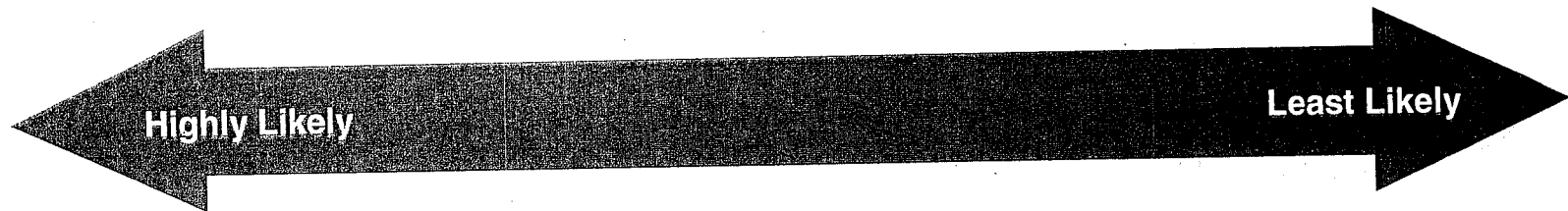
- Result - Moody's has agreed to convene credit committee to discuss upgrade possibility

- Likely Outcomes -

Remove "negative" language  
from Enron Analysis

Positive Watch

Full Upgrade



EC004400961



Finance Committee Meeting  
1999/JM-10/99

# Azurix Support Update\*

- **\$180 million facility to cover expected G&A expenses for a three year period (Marlin Transaction)**
- **Best efforts \$100 million facility for short term credit needs (LC's, guaranties, etc.)**
- **Current outstanding**
  - **G&A Facility** **\$42 million**
  - **Liquidity Facility** **\$25 million (all guaranties)**

***\* This transaction was previously approved by the finance committee.  
This slide is for update purposes only.***

EC004400962



Finance Committee Meeting  
1999/JM-10/99

AGENDA ITEM NO. \_\_\_\_\_  
"Shelf" Registration Statement: Increase in Common Stock

WHEREAS, the Company desires to file with the Securities and Exchange Commission (the "Commission") a registration statement and post-effective amendments (collectively, the "shelf registration statement") for the registration and sale from time to time of shares of Common Stock; and

WHEREAS, this Board desires to provide for the issuance and sale from time to time of Common Stock by the Company;

RESOLVED, that the Board of Directors hereby deems it advisable and in the best interests of the Company for the Company to issue and sell from time to time up to 15 million (Fifteen Million) shares of its Common Stock, no par value (the "Common Stock") (of which amount 7.5 million shares have been previously registered pursuant to the Securities Act of 1933), at prices to be agreed upon and established by the Special Common Stock Committee referred to below, and to be sold from time to time in public or private offerings;

RESOLVED FURTHER, that the Company enter into one or more purchase agreements, underwriting agreements, sales agency agreements, or other agreements, however designated, together with all necessary agreement wires, confirmation letters, or terms agreements (collectively the "Common Stock Agreements"), with such underwriting firm or firms or with such institutions or dealers as may, in the judgment of the Chairman of the Board, any Vice Chairman of the Board, the President, any Executive or Senior Vice President, or any Vice President of the Company be necessary to effect the sale of the Common Stock; that the Chairman of the Board, any Vice Chairman of the Board, the President, any Executive or Senior Vice President, or any Vice President of the Company be, and each of them hereby is, authorized and directed to execute and deliver the Agreements, for and in the name and on behalf of the Company, in such forms as the officer executing such Common Stock Agreements shall approve, such approval to be conclusively evidenced by such execution; and that the Company be, and it hereby is, authorized and directed to perform in full all of its obligations under the Common Stock Agreements;

RESOLVED FURTHER, that the officers of the Company be, and they hereby are, authorized, empowered, and directed to cause to be prepared, executed, and filed with the Commission (i) one or more Registration Statements, including exhibits thereto (collectively, the "Registration Statement"), and (ii) such amendments and post-effective amendments to the Registration Statement or supplements to the Prospectuses constituting a part thereof, and to take all such further action, including the filing of final forms of the Prospectuses, as may, in the judgment of such officers, be necessary, desirable, or appropriate to secure and thereafter to maintain the effectiveness of the Registration Statement;

RESOLVED FURTHER, that the Board of Directors of the Company, in accordance with Section 60.354 of the Oregon Business Corporation Act and Article IV of the Bylaws of the Company, as amended, does hereby create a special Common Stock pricing committee (the "Special Common Stock Committee") and designate Kenneth L. Lay and Jeffrey K. Skilling as the members of the Special Common Stock Committee, and that the Special Common Stock Committee is hereby authorized and empowered to determine, for and in the name and on behalf of the Company, the price per share of Common Stock to be received by the Company in the offerings, and any other term of any Common Stock Agreement and all such other matters as may be determined by such Special Common Stock Committee consistent with Oregon law and these resolutions, such Special Common Stock Committee's approval of such terms and conditions to be conclusively determined by their inclusion in the executed copies of any Common Stock Agreements; and that the Special Common Stock Committee is hereby authorized to take any and all action and to do or cause to be done any or all things which may appear to the Special Common Stock Committee to be necessary or advisable in order to offer, issue and sell the Common Stock, to the full extent and with the same effect as the Board of Directors of the Company could take such action or do or cause such things

to be done; and that a majority of the members of the Special Common Stock Committee shall constitute a quorum for the transaction of business; and that the Special Common Stock Committee shall keep a written record of its meetings, shall present such record to the meetings of the Special Common Stock Committee, and shall file a copy of such record in the corporate minutes of the Company;

RESOLVED FURTHER, that the Chairman of the Board, any Vice Chairman of the Board, the President of the Company, any Vice President of the Company, the Corporate Secretary, any Deputy Corporate Secretary, or any Assistant Secretary of the Company be, and each of them hereby is, authorized and directed, for and in the name and on behalf of the Company, to sign, under the corporate seal of the Company (if required), any or all of the certificates of Common Stock and that the signatures of the aforesaid authorized officers and the corporate seal of the Company (if required) may be facsimile, and that the Company hereby adopts and approves any such facsimile signatures and seal;

RESOLVED FURTHER, that the facsimile signatures which appear upon any of the certificates of Common Stock shall be valid regardless of whether such officer ceases to hold such office prior to the issuance of the Common Stock;

RESOLVED FURTHER, that the Chairman of the Board, any Vice Chairman of the Board, the President, any Executive or Senior Vice President, or any Vice President, and the Senior Vice President and Secretary, any Deputy Corporate Secretary, or any Assistant Secretary of the Company be, and each of them hereby is, authorized and directed, for and in the name and on behalf of the Company, to take any and all action which they may deem necessary or advisable in order to obtain a permit, to register or to qualify part or all of the Common Stock for issuance and sale or to request an exemption from registration of part or all of the Common Stock or to register or obtain a license for the Company as a dealer or broker under the securities laws of such of the states of the United States of America and of such foreign jurisdictions as such officers may deem advisable, and in connection with such registrations, permits, licenses, qualifications, and exemptions, to execute, acknowledge, verify, deliver, file, and publish all such applications, reports, resolutions, irrevocable consents to service of process, powers of attorney, and other papers and instruments as may be required under such laws, and to take any and all further action which they may deem necessary or advisable in order to maintain such registration in effect for as long as they may deem to be in the best interests of the Company;

RESOLVED FURTHER, that if the officers of the Company determine that it is desirable for the Company to do so, the Company may make application to the New York Stock Exchange, Inc. and one or more other national securities exchanges for listing of the Common Stock in the number of shares issued or reserved for issuance; that the Chairman of the Board, any Vice Chairman of the Board, the President, any Executive or Senior Vice President, or any Vice President of the Company be, and each of them hereby is, authorized and directed to execute and deliver on behalf of the Company to the New York Stock Exchange, Inc. or other such securities exchanges such indemnity agreements in such form as may be necessary to effect the aforesaid listing; and that the officers of the Company be, and they hereby are, authorized and directed to execute and deliver any applications, documents, or agreements, to take any and all actions, to appear before such exchanges if necessary, to appoint any banking or other institution as an agent of the Company for any purpose, and to do or cause to be done any and all things as may appear to them to be necessary or desirable in order to effect such listing; and

RESOLVED FURTHER, that the proper officers of the Company and its counsel be, and each of them hereby is, authorized, empowered, and directed (any one of them acting alone) to take any and all such further action, to amend, execute, and deliver all such further instruments and documents, for and in the name and on behalf of the Company, under its corporate seal or otherwise, and to pay all such expenses as in their discretion appear to be necessary, proper, or advisable to carry into effect the purposes and intentions of this and each of the foregoing resolutions.

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AGENDA ITEM NO. \_\_\_\_\_  
Issuance of Enron Common Stock in Connection with De minimis Acquisitions

WHEREAS, the Company desires to issue and sell from time to time shares of Company Common Stock in connection with the Company's acquisition of assets and securities of other parties; and

WHEREAS, this Board desires to provide for the issuance and sale from time to time of Common Stock by the Company for such purpose;

RESOLVED, that the Board of Directors hereby deems it advisable and in the best interests of the Company for the Company to issue and sell from time to time up to [500,000 (Five Hundred Thousand)] shares of its Common Stock, no par value (the "Common Stock"), at prices to be agreed upon and established by the Special Common Stock Committee referred to below, and to be sold from time to time in public or private offerings, solely and specifically for the purpose of utilizing such shares as consideration currency in connection with the Company's acquisition of assets or securities of other companies or entities;

RESOLVED FURTHER, that the Company enter into one or more purchase agreements, underwriting agreements, sales agency agreements, or other agreements, however designated, together with all necessary agreement wires, confirmation letters, or terms agreements (collectively the "Common Stock Agreements"), with such underwriting firm or firms or with such institutions or dealers or other counterparties as may, in the judgment of the Chairman of the Board, any Vice Chairman of the Board, the President, any Executive or Senior Vice President, or any Vice President of the Company be necessary to effect the sale of the Common Stock; that the Chairman of the Board, any Vice Chairman of the Board, the President, any Executive or Senior Vice President, or any Vice President of the Company be, and each of them hereby is, authorized and directed to execute and deliver the Agreements, for and in the name and on behalf of the Company, in such forms as the officer executing such Common Stock Agreements shall approve, such approval to be conclusively evidenced by such execution; and that the Company be, and it hereby is, authorized and directed to perform in full all of its obligations under the Common Stock Agreements;

RESOLVED FURTHER, that the officers of the Company be, and they hereby are, authorized, empowered, and directed to cause to be prepared, executed, and filed with the Commission (i) one or more Registration Statements, including exhibits thereto (collectively, the "Registration Statement"), and (ii) such amendments and post-effective amendments to the Registration Statement or supplements to the Prospectuses constituting a part thereof, and to take all such further action, including the filing of final forms of the Prospectuses, as may, in the judgment of such officers, be necessary, desirable, or appropriate to secure and thereafter to maintain the effectiveness of the Registration Statement;

RESOLVED FURTHER, that the Board of Directors of the Company, in accordance with Section 60.354 of the Oregon Business Corporation Act and Article IV of the Bylaws of the Company, as amended, does hereby create a special Common Stock pricing committee (the "Special Common Stock Committee") and designate Kenneth L. Lay and Jeffrey K. Skilling as the members of the Special Common Stock Committee, and that the Special Common Stock Committee is hereby authorized and empowered to determine, for and in the name and on behalf of the Company, the price per share of Common Stock to be received by the Company in the offerings, and any other term of any Common Stock Agreement and all such other matters as may be determined by such Special Common Stock Committee consistent with Oregon law and these resolutions, such Special Common Stock Committee's approval of such terms and conditions to be conclusively determined by their inclusion in the executed copies of any Common Stock Agreements; and that the Special Common Stock Committee is hereby authorized to take any and all action and to do or cause to be done any or all things which may appear to the Special Common Stock Committee to be necessary or advisable in order to offer, issue and sell the Common Stock, to the full extent and with the same effect as the Board of Directors of the Company could take such action or do or cause such things

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to be done; and that a majority of the members of the Special Common Stock Committee shall constitute a quorum for the transaction of business; and that the Special Common Stock Committee shall keep a written record of its meetings, shall present such record to the meetings of the Special Common Stock Committee, and shall file a copy of such record in the corporate minutes of the Company;

RESOLVED FURTHER, that the Chairman of the Board, any Vice Chairman of the Board, the President of the Company, any Vice President of the Company, the Corporate Secretary, any Deputy Corporate Secretary, or any Assistant Secretary of the Company be, and each of them hereby is, authorized and directed, for and in the name and on behalf of the Company, to sign, under the corporate seal of the Company (if required), any or all of the certificates of Common Stock and that the signatures of the aforesaid authorized officers and the corporate seal of the Company (if required) may be facsimile, and that the Company hereby adopts and approves any such facsimile signatures and seal;

RESOLVED FURTHER, that the facsimile signatures which appear upon any of the certificates of Common Stock shall be valid regardless of whether such officer ceases to hold such office prior to the issuance of the Common Stock;

RESOLVED FURTHER, that the Chairman of the Board, any Vice Chairman of the Board, the President, any Executive or Senior Vice President, or any Vice President, and the Senior Vice President and Secretary, any Deputy Corporate Secretary, or any Assistant Secretary of the Company be, and each of them hereby is, authorized and directed, for and in the name and on behalf of the Company, to take any and all action which they may deem necessary or advisable in order to obtain a permit, to register or to qualify part or all of the Common Stock for issuance and sale or to request an exemption from registration of part or all of the Common Stock or to register or obtain a license for the Company as a dealer or broker under the securities laws of such of the states of the United States of America and of such foreign jurisdictions as such officers may deem advisable, and in connection with such registrations, permits, licenses, qualifications, and exemptions, to execute, acknowledge, verify, deliver, file, and publish all such applications, reports, resolutions, irrevocable consents to service of process, powers of attorney, and other papers and instruments as may be required under such laws, and to take any and all further action which they may deem necessary or advisable in order to maintain such registration in effect for as long as they may deem to be in the best interests of the Company;

RESOLVED FURTHER, that if the officers of the Company determine that it is desirable or necessary for the Company to do so, the Company may make application to the New York Stock Exchange, Inc. and one or more other national securities exchanges for listing of the Common Stock in the number of shares issued or reserved for issuance; that the Chairman of the Board, any Vice Chairman of the Board, the President, any Executive or Senior Vice President, or any Vice President of the Company be, and each of them hereby is, authorized and directed to execute and deliver on behalf of the Company to the New York Stock Exchange, Inc. or other such securities exchanges such indemnity agreements in such form as may be necessary to effect the aforesaid listing; and that the officers of the Company be, and they hereby are, authorized and directed to execute and deliver any applications, documents, or agreements, to take any and all actions, to appear before such exchanges if necessary, to appoint any banking or other institution as an agent of the Company for any purpose, and to do or cause to be done any and all things as may appear to them to be necessary or desirable in order to effect such listing; and

RESOLVED FURTHER, that the proper officers of the Company and its counsel be, and each of them hereby is, authorized, empowered, and directed (any one of them acting alone) to take any and all such further action, to amend, execute, and deliver all such further instruments and documents, for and in the name and on behalf of the Company, under its corporate seal or otherwise, and to pay all such expenses as in their discretion appear to be necessary, proper, or advisable to carry into effect the purposes and intentions of this and each of the foregoing resolutions.

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**Agenda Item 4**

**Enron Corp**  
**Chief Risk Officer Report**  
**October 11, 1999**

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# **Risk Assessment & Control**

## **Merchant Portfolio Highlights**

EC004400968

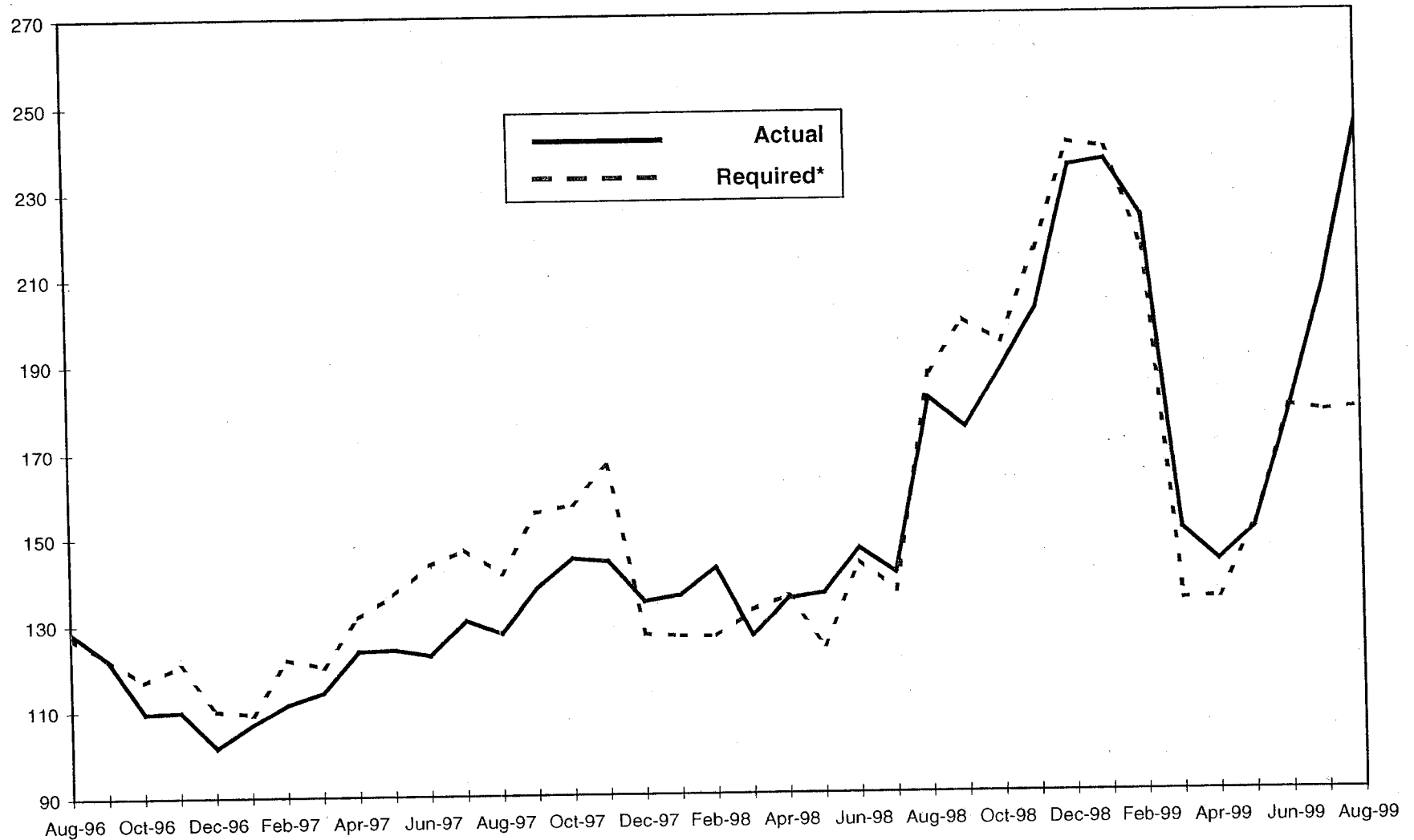
# Top 25 Credit Exposures\*

Type of Credit	E - Ratings	Counterparty Name	Total Exposure In \$MM's
Trade	4	Eastern Power & Energy Trading Limited	\$ 564
Trade	5	Sithe/Independence Power Partners, L.P.	312
Merchant	6	East Coast Power	188
Trade	4	Reliant Energy Resources Corp.	160
Trade	5	Sithe/Independence Power Partners, L.P. Tracking Account	149
Trade	2	The Chase Manhattan Bank	132
Trade	2	Florida Power & Light Company	127
Merchant	7	American Coal Tranche I	125
Trade	4	Canadian Natural Resources Ltd.	122
Merchant	8	Enron Wind Corp. Lake Benton II	118
Trade	2	Bonneville Power Administration	73
Trade	4	Petro-Canada Oil and Gas	59
Merchant	8	Enron Wind Corp. Cabazon	59
Trade	3	Duke Energy Trading and Marketing, LLC	55
Trade	2	The Power Authority of the State of New York	55
Trade	3	Pacific Gas & Electric Company	46
Trade	8	First Gas Power Corporation	45
Trade	8	Calpine Fuels Texas Corporation	40
Trade	8	Midland Cogeneration Venture Limited Partnership	39
Trade	3	British Gas Trading Limited	36
Trade	2	City of Tallahassee	34
Trade	2	Barclays Bank PLC	33
Trade	6	Statoil Energy Trading, Inc.	33
Trade	8	Cross Timbers Oil Company	30
Merchant	11	Repap Enterprises, Inc.	29
Top 25 Total			\$ 2,663
Other Credit Exposure			2,911
Total Credit Exposure			\$ 5,574

Transactions new to "Top 25" list from Aug. '99 Board Meeting

\* Trade Credit numbers as of 9/20/99 and Merchant Credit numbers as of 8/31/99

# Credit Reserve Historical Comparison (\$MM)



\* Required Reserve: Amount of reserve required for existing portfolio after simulating defaults and assuming 50% recovery.

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# The Restructuring Group - Overview

➤ Restructuring Group created May 1999

➤ Established formal process for transfer of assets into Restructuring Group in August 1999

- Process administered by Risk Assessment & Control (RAC)

*being proactive rather than reactive (ie. buying distressed bonds)*

➤ Currently 24 deals in portfolio

- 22 Merchant Transactions
- 2 Trade Credit

## • Industry Breakdown

	Enron Cost	Carry Value
18 E&P and Oil Service	\$213.6 MM	\$131.1 MM
2 Steel	\$79.6 MM	\$0 MM
2 Pulp & Paper	\$46.0 MM	\$29.5 MM
2 Other	\$7.7 MM	\$7.8 MM
24 Total	\$346.9 MM	\$168.4 MM

➤ Staffing

- 1 Vice President
- 1 Attorney
- 1 Senior Director
- 4 Associates
- 1 Analyst

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# Transfer of Assets Into Restructuring

Assets are transferred to Restructuring when the transactions are classified as “Troubled” on the Watch List published bi-weekly by RAC.

## Criteria for Troubled Asset

- *Uncured default of principal, interest, fees, dividends or other financial obligations*
- *Severe impairment of value*
- *Other creditors/investors have transferred the asset to their Workout or Restructuring Groups*
- *Foreclosure on collateral*
- *Bankruptcy*
- *Other situations as determined by Chief Risk Officer*

**Troubled - “Assets for which the projected returns are considerably less than originally projected and the collection or liquidation in full of the position is questionable and improbable.”**

**RAC Due Diligence and Asset Management review asset and counterparty financial statements and related data quarterly and conduct periodic field audits to determine status.**

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# The Restructuring Group - Completed Restructurings

## Year to Date as of September 30, 1999

Transaction	Issues	Resolution	Financial Impact - In \$MM's Net to Enron			
			Cost	Carry		Recovery
<b>ICE Drilling Systems, Inc.</b> Term Loan (EnSerCo)	Loan default by Canadian service company.	Asset foreclosure and sale.	4.99	3.99	4.70 0.29 4.99	Cash Proceeds Add'l assets to be sold Total
<b>Bonus Resource Service Corp.</b> Term Loan (EnSerCo)	Inability to redeem bridge facility by Canadian service company.	EnSerCo received cash payment, restructured subordinated loan and common equity.	12.50	7.30	5.00 7.50 0.90 13.40	Cash Restructured Debt Common Equity Total
<b>Tri-Point Inc.</b> Term & Revolver Loans (EnSerCo)	Loan default by Houston based service company.	Combined term and revolver loans and received equity.	5.00	4.80	5.00 TBD TBD	Restructured Debt Equity Total
<b>Inland Resources, Inc.</b> Preferred Stock (JEDI II)	Potential bankruptcy by Denver based producer.	Entire capital structure revised. Enron received additional equity and preserved \$2.8 MM in trade credit.	5.00	3.60	5.00 0.60 5.60	Preferred Equity Common Equity Total
<b>Eugene Offshore Holding, LLC</b> Working Interest (JEDI I)	Loan default by Houston based producer and subsequent asset foreclosure.	Highest value property (Eugene Island 30) sold.	24.60	20.80	16.80 4.00 20.80	Sale Eugene Island 30 Add'l assets to be sold Total
<b>Qualitech Steel Corporation</b> Debt & Equity (Balance Sheet)	Indiana based steel start-up company filed Chapter 11 bankruptcy.	Enron reached settlement terminating financial and physical contracts.	48.30	0.00	0.00 0.00 6.80 6.80	Debt Equity* Contract Settlement Total
			100.39	40.49	56.59	** Total YTD Recovery

\*\*YTD Recovery exceeds Carry Value by \$16.10 MM

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# Bottom 10 Investments

	Net Cost (\$MM's)	Net Carrying Value** (\$MM's)	Change in Value (\$MM's)	Remarks
<b>Investments With Issues</b>				
*Qualitech Steel Corporation (Debt & Equity)	\$48.31	\$0.00	(\$48.31)	Qualitech filed for Chapter 11 bankruptcy protection on 3/22/99. The Enron Restructuring Group has negotiated a recovery of \$6.8 MM of our trade credit.
*Costilla Energy, Inc. (Convertible Preferred Equity)	33.22	0.00	(33.22)	The Company filed Chapter 11 bankruptcy on 9/3/99. The Enron Restructuring Group is pursuing the private sale of our convertible preferred stock via a distressed debt holder.
*NSM (Common Equity & Debt)	31.31	0.00	(31.31)	Enron expects a re-capitalization of the Company to occur prior to 12/31/99. The Enron Restructuring Group has successfully obtained releases from a number of bondholders that had sued the NSM underwriting group, including ECT Securities.
*Repap Enterprises (Convertible Note)	45.00	29.49	(15.51)	Enron has made an offer to the Company to repurchase our note. Should that offer be refused, Enron plans to sell the note into the market.
*Carrizo Oil & Gas, Inc. (Preferred Equity & Warrants)	18.75	4.69	(14.06)	Enron is assisting the Company in finding a suitable merger partner. Carrizo has been interviewing investment banks and will shortly make a hiring decision to aid them in sale / merger activity.
*Hughes Rawls LLC (Membership Interest & Senior Loan)	19.10	9.66	(9.44)	Hughes Rawls has found outside investors to fund their portion of further exploration costs. If there is a lack of success on the exploratory efforts underway, Enron will look to exit the investment in 2000.
*Sierra Well Service (Debt & Preferred Equity)	27.21	24.71	(2.50)	Midland, Texas well service company hard hit by industry downturn. Two of Enron's four Board members will step down to be replaced by experienced industry directors elected by Enron.
*CGas (Private Equity)	31.05	29.95	(1.10)	Columbus, Ohio oil and gas company with 97% Enron ownership. Petrie Parkman has been hired as an advisor to assist with possible sale / merger activity, as Enron is looking to exit the investment.
*Queen Sand Resources, Inc. (Public Equity & Senior Secured Debt)	13.54	13.75	0.21	The Enron Restructuring Group has been in negotiations with New York based Ceberus Partners, regarding a full take out of our senior debt and is also in discussions with an investment banking firm, regarding a re-capitalization of Queen Sand. Queen Sand stock price is down 57% from the 6/30/99 price of \$1.03 to \$0.44 per share.
Cypress Exploration (Working Interest Participation)	60.34	60.34	0.00	Negotiations between Enron and Shell have been finalized and Enron obtained \$12 MM in cash, an overriding royalty interest and certain other non-cash consideration. This asset classification will move to "performing."
<b>Total</b>	<b>\$327.83</b>	<b>\$172.59</b>	<b>(\$155.24)</b>	

\*Assets currently in Enron's Restructuring Group

\*\*Reflects valuation as of 6/30/99 adjusted for cost increases/decreases as of 8/31/99

Note: NO CHANGE in the "Bottom Ten" list since Aug. '99 Board Meeting

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# Top 10 Investments

	Net Cost (\$MM's)	Net Carrying Value** (\$MM's)	Change in Value (\$MM's)	Remarks
<b>Investments Exceeding Expectations</b>				
<b>Rhythms NetConnections (Common Stock)</b>	\$10.00	\$314.83	\$304.83	Enron Communications Group controls approximately 7.5% of the outstanding common stock. Rhythms common shares are down over 40% from the 6/30/99 price of \$58.38. Carrying value is protected by a "put option."
<b>*Mariner Energy (Private Equity/ Convertible &amp; Revolver Debt)</b>	193.43	316.92	123.49	An S-1 registration statement for an IPO of common shares was filed with the SEC on 9/17/99. The Company plans to issue up to \$200 MM in common stock with the proceeds used to repay debt and fund capital expenditures.
<b>Kafus Industries, LTD (Equity &amp; Debt)</b>	54.01	146.29	92.28	On 6/23/99, Kafus Environmental Industries Ltd. began trading under its new name, Kafus Industries, with Enron an approximate 25% owner.
<b>First World Communications, Inc. (Common Stock &amp; Warrants)</b>	25.00	105.45	80.45	The Company provides high speed Internet access, digital subscriber line ("DSL") service as well as local and long distance telephony service. Enron holds approximately 48% of these privately held shares.
<b>Quanta Services (Convertible Debt)</b>	30.84	94.27	63.43	Quanta is a leading provider of construction and maintenance services for the power and telecommunications industries. Enron's holdings are convertible into approximately 12.3% of the Company's common stock. Quanta stock is down nearly 40% from a 52 week high price of \$44.00, however, analysts' recommendations remain favorable.
<b>Hanover Compressor (Common Stock)</b>	31.72	85.29	53.57	Hanover Compressor is the largest gas compression fabrication and rental company in the U.S. Enron, through its affiliate JEDI, holds 9.64% of the common stock.
<b>East Coast Power LLC (Equity)</b>	20.43	67.86	47.43	Enron North America owns interests in three gas-fired, combined cycle cogeneration facilities located in New Jersey. Enron officially closed on the sale of 49% of our interest to El Paso Energy on 8/13/99 for \$133 MM.
<b>Utiliquest, LLC (formerly Byers Locate Services)</b>	11.56	19.66	8.10	Equity investment of 74% of common stock of privately held utility services company. Utiliquest is continuing its goal to be the dominant national locate company by consolidating the industry.
<b>Vastar Onshore Exploration Program (Working Interest Participation)</b>	24.56	31.59	7.03	Two major discoveries have been made to date in the African Swallow field in Wyoming and the Santa Ana Field in South Texas. These fields are currently producing at a combined rate of 15.6 MMCFPD and 765 BOPD net to Enron.
<b>Sutton Bridge Power (UK Private Equity)</b>	0.00	0.00	0.00	Enron previously recognized \$20 MM in earnings from a FASB 125 transaction on this asset and substantial additional earnings are anticipated from the sale of Enron's interest, which is in progress.
<b>Total</b>	<b>\$401.55</b>	<b>\$1,182.16</b>	<b>\$780.61</b>	

\*New to "Top Ten" list since Aug. '99 Board Meeting

EC004400975



# RAC Initiatives

- ❖ **Quantification of Foreign Currency Exposure**
- ❖ **Portfolio Return Analysis** *"cash-on-cash" returns*
- ❖ **Global Risk Monitoring System (GRMS)**  
*New methods of combining information*
- ❖ **Online Trading** *Uick Trading*
- ❖ **Comparable Transactions Database** *Dave Gerte working on  
Not just new transactions but also for FV*
- ❖ **Real Option Modeling**  
*Looking @ a power plant as an asset.*

EC004400976

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# Market Risk Update

## October 11, 1999

EC004400977

*Murphy*

# Table of Contents

- ☐ Risk Profile
- ☐ V@R Backtesting
- ☐ Stress Testing
- ☐ Limit Violations

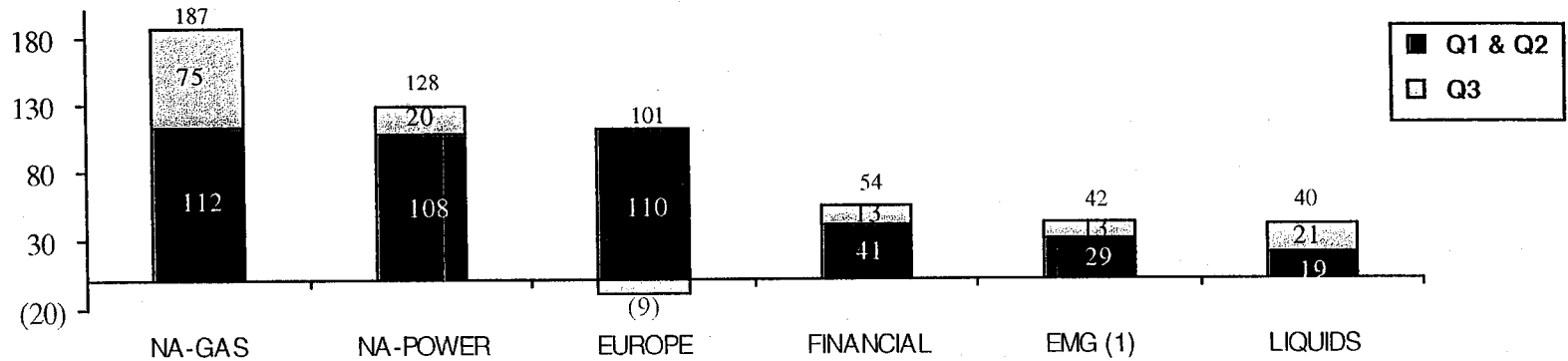
EC004400978

# Risk Profile

## as of 9/20/99

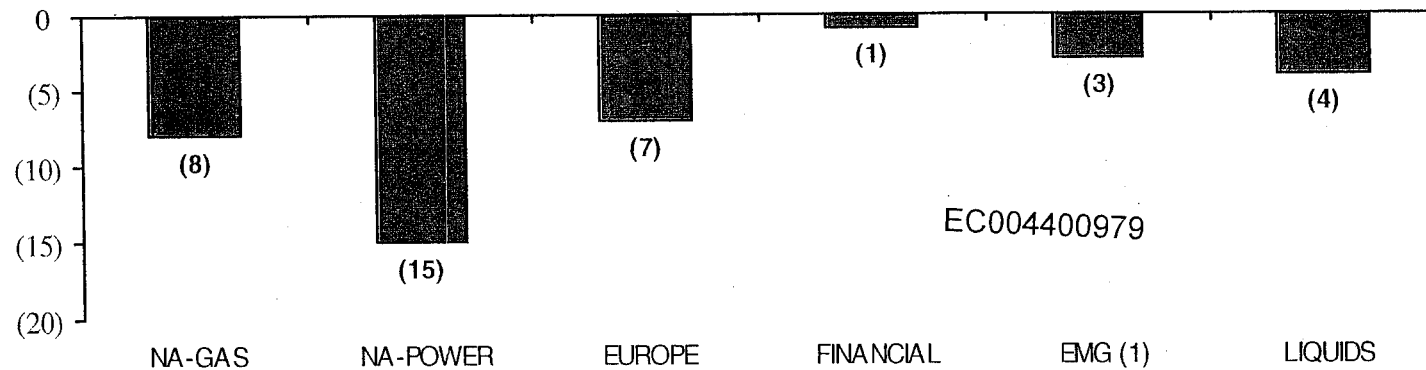
### YTD P&L (\$MM)

YTD P&L = \$552 MM



### YTD Average V@R (\$MM)

YTD Average V@R = \$19 MM



EC004400979

RoV@R YTD	177%	64%	113%	329%	124%	70%
Limit Utilization YTD	32%	59%	34%	18%	27%	53%

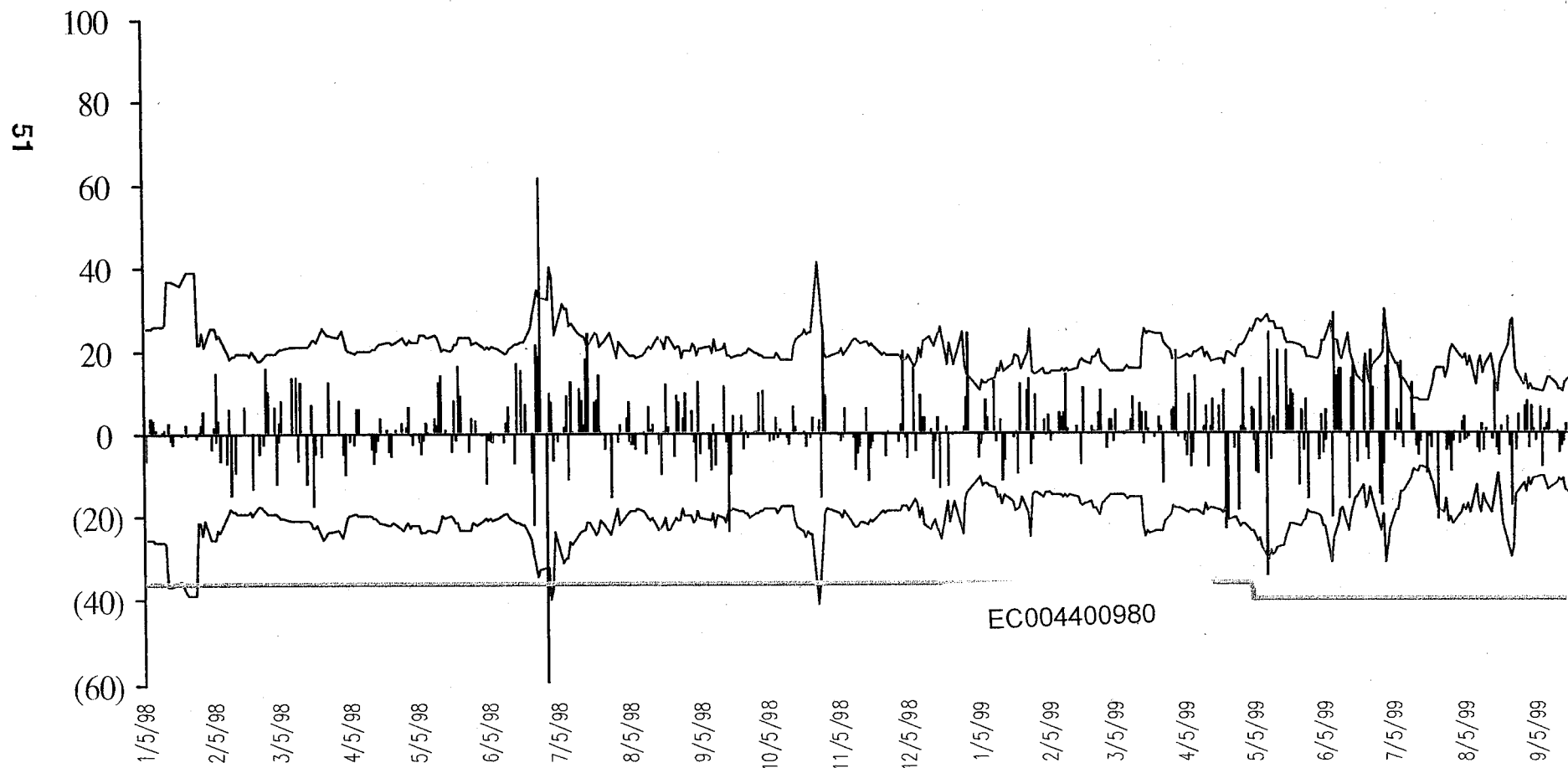
(1) Emerging Businesses (EMG) include Argentina, Australia, Emission Credits, Coal Trading, Paper, and Weather.

*Murphy*

# V@R Backtesting

Backtesting Aggregate ENRON V@R - 1/5/98 - 9/20/99  
(\$MM)

█ Curve Shift P&L — Value at Risk — V@R Limit



# 5% & 25% Parallel Price Shift

UP DOWN

## Worst Case Exposure - 5% Parallel Shift

(\$MM)

European Power 51

Global Liquids 28

European Gas 21

NA Gas 18

Power-East 3

Paper 4

Power-West 4

Coal 6

Nordic Power 3

*Discussed decline in crude prices (15% over a couple of days) & impact. We were able to trade out of some position. Not a significant impact.*

## Worst Case Exposure - 25% Parallel Shift

European Power Eastern II 25

Global Liquids 152

European Gas 100

NA Gas 87

Power-East 30

Paper 30

Power-West 24

Coal 20

Nordic Power 17

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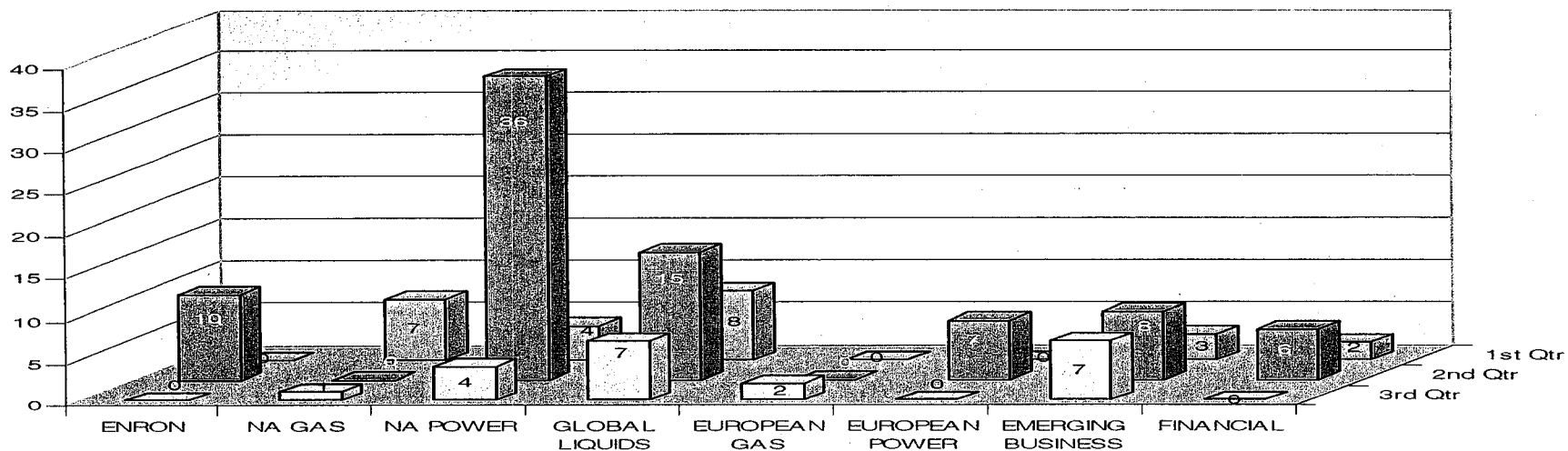
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*m.*

# Limit Violations

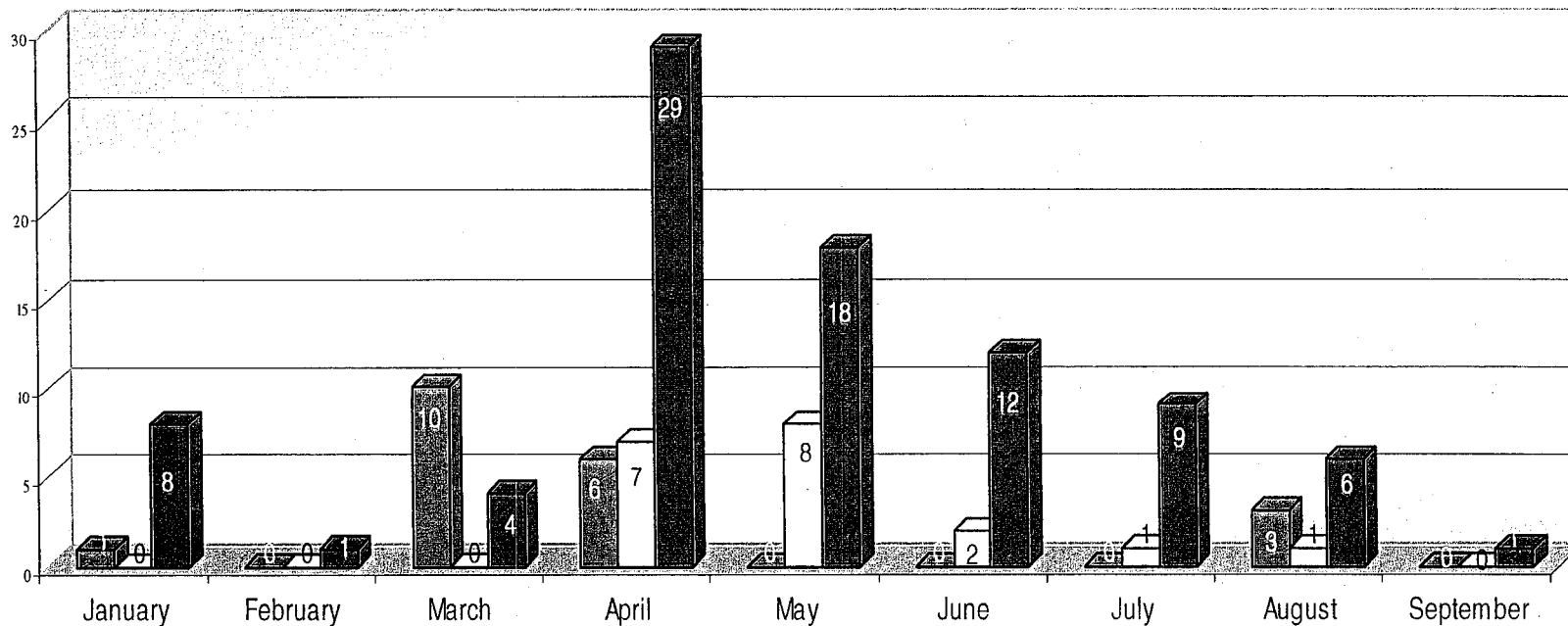
Quarterly  
by Portfolio

□ 3rd Qtr  
■ 2nd Qtr  
■ 1st Qtr



Aggregate  
by Month  
YTD

■ Position  
□ V@R  
■ P&L

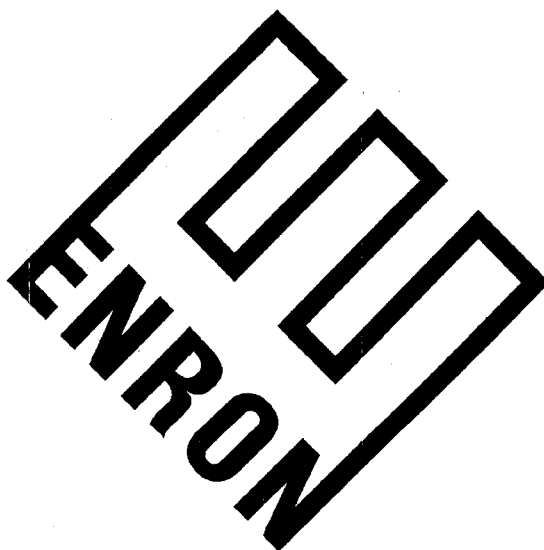


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**Agenda Item 5**





**Enron Corp.  
Dividend Recommendation**

**Finance Committee Meeting  
October 11, 1999**

EC004400984

*Keating*

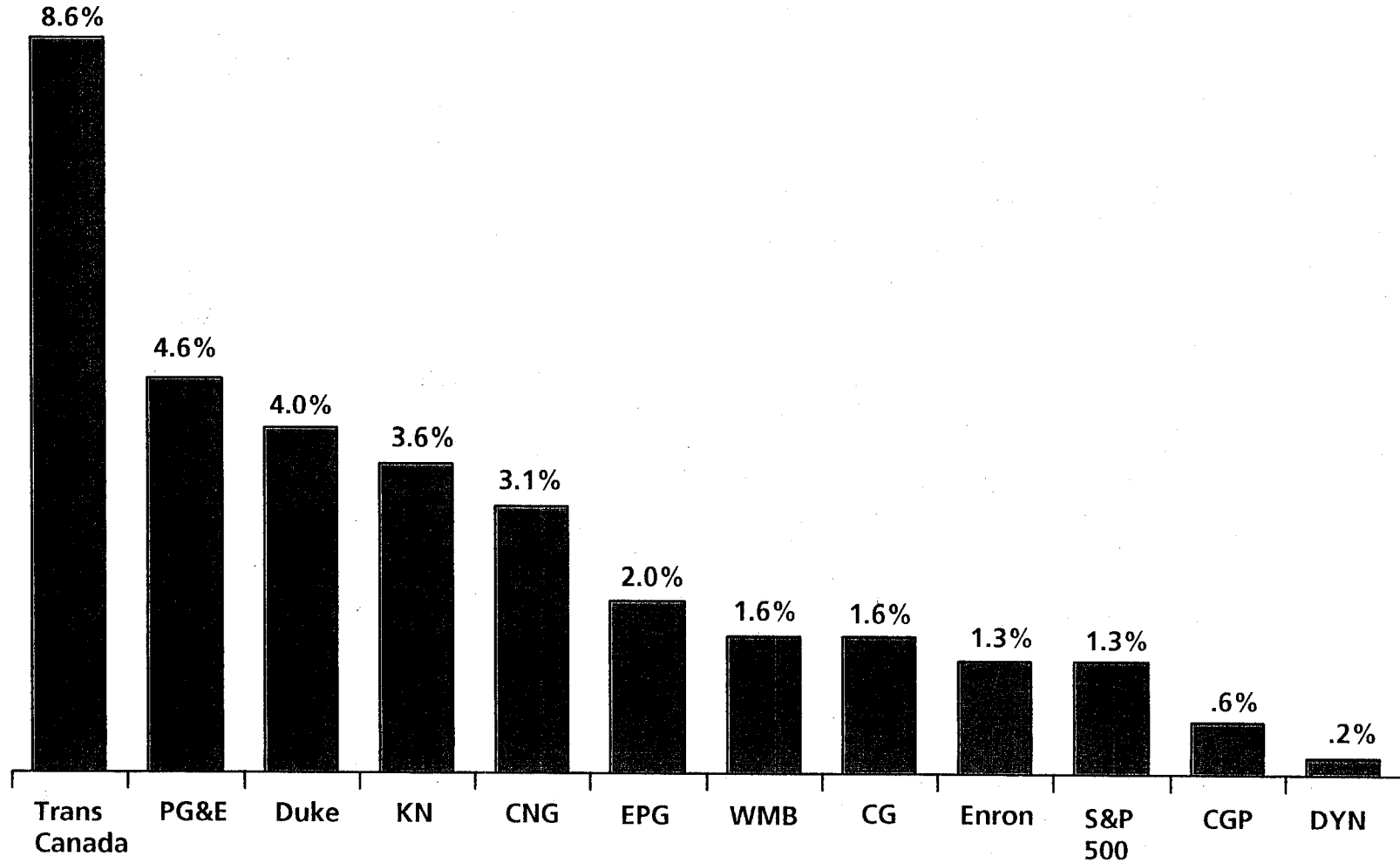
# Dividend Policy Discussion

- |   |   |
|---|---|
| ○ Current Dividend Yield                                  | 1.3%  |
| ○ Current Dividend Level                                  | 50¢ per share   |
| ○ Historical Annual Increase                              | 2.5¢ per share  |
| ○ Annual Cash Flow Impact of Increase <i>(after-tax)</i>  | \$20 million  |
| ○ Annual Cash Flow Impact of Increase, Pre-Tax Equivalent | \$31 million  |
| ○ Equivalent Senior Debt Relief (8.15%)                   | \$380 million   |
| ○ Business Issues   | <ul style="list-style-type: none"><li>• Increasing capital needs</li><li>• Investment comparables</li></ul> |

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**Recommendation - Do not increase the annual dividend on Enron's common stock from its current level.**

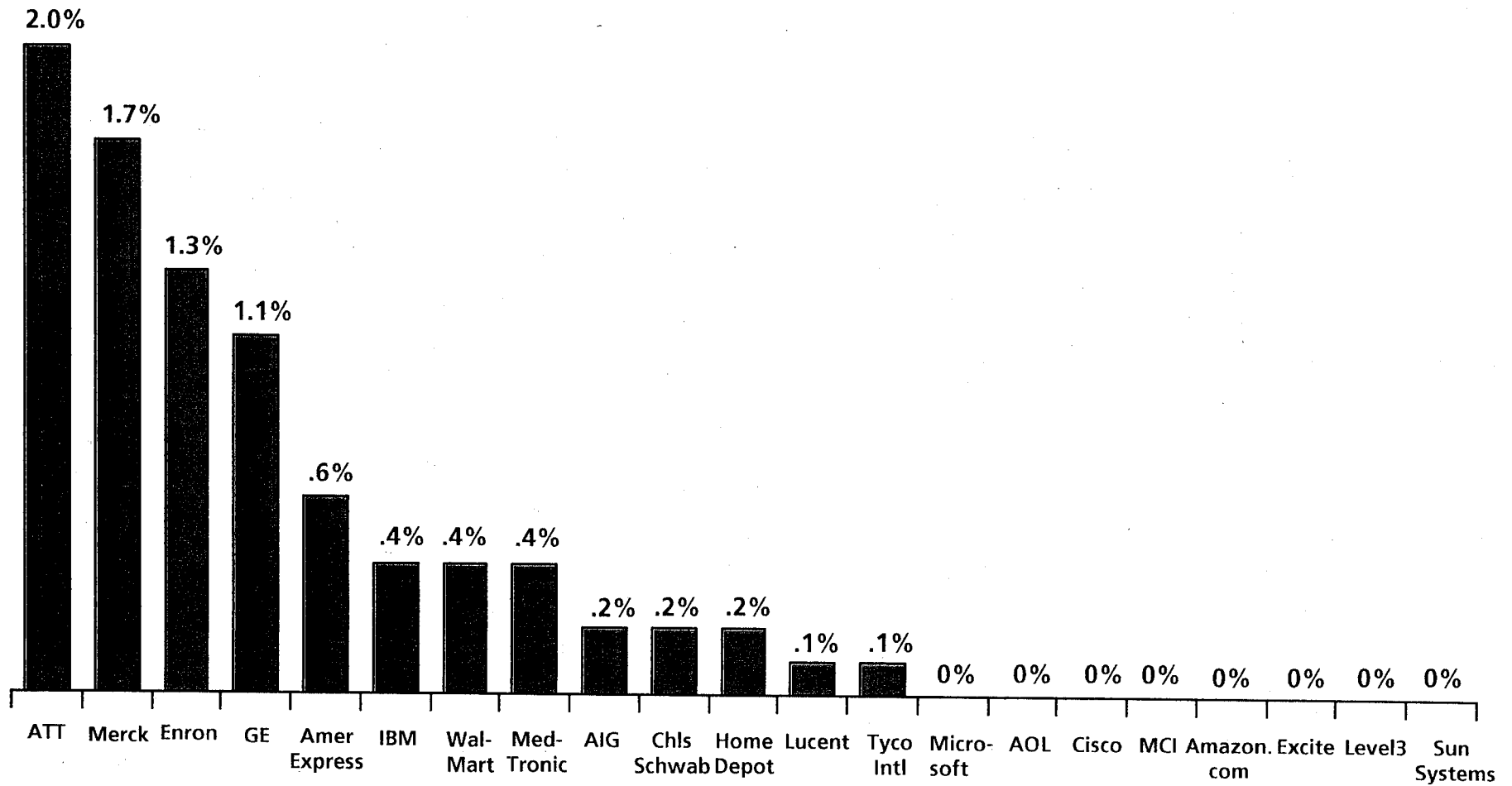
# Dividend Yield - Energy Peer Group



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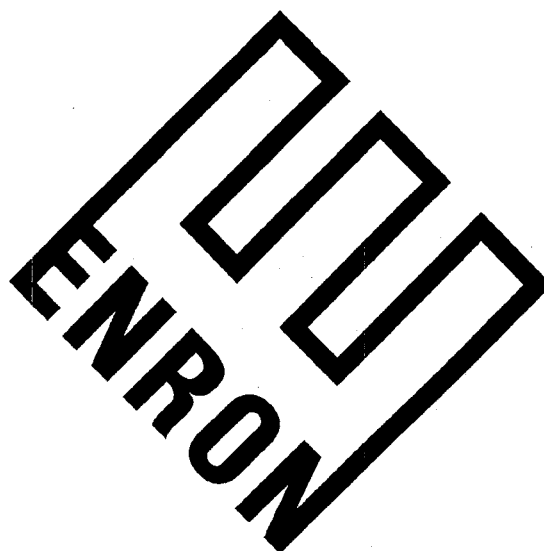
# Dividend Yield – Investment Peer Group



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**Enron Corp.  
Dividend Recommendation**

**Finance Committee Meeting  
October 11, 1999**

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# Dividend Policy Discussion

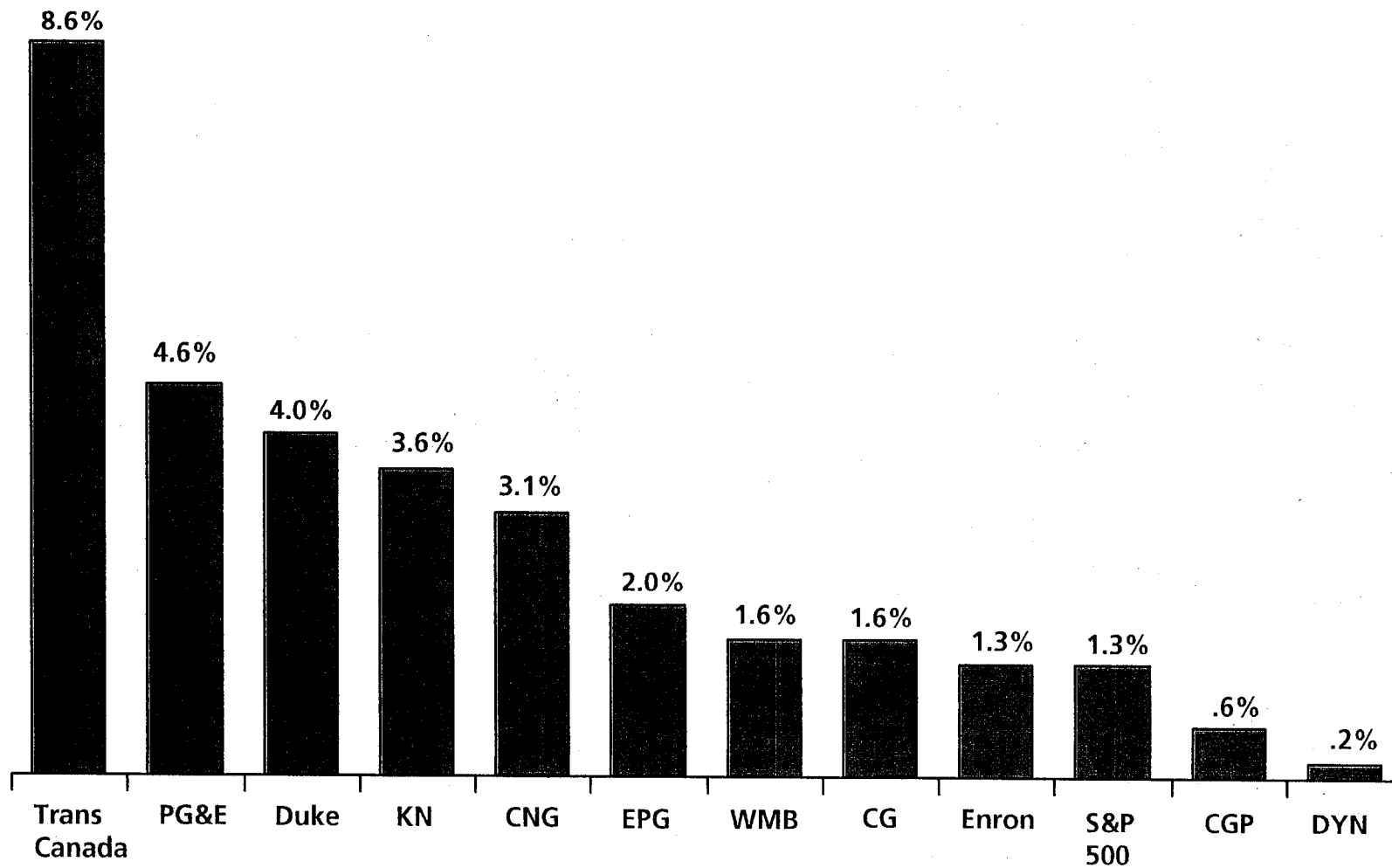
○ Current Dividend Yield	1.3%
○ Current Dividend Level	50¢ per share
○ Historical Annual Increase	2.5¢ per share
○ Annual Cash Flow Impact of Increase	\$20 million
○ Annual Cash Flow Impact of Increase, Pre-Tax Equivalent	\$31 million
○ Equivalent Senior Debt Relief (8.15%)	\$380 million
○ Business Issues	<ul style="list-style-type: none"><li>• Increasing capital needs</li><li>• Investment comparables</li></ul>

**Recommendation - Do not increase the annual dividend on Enron's common stock from its current level.**

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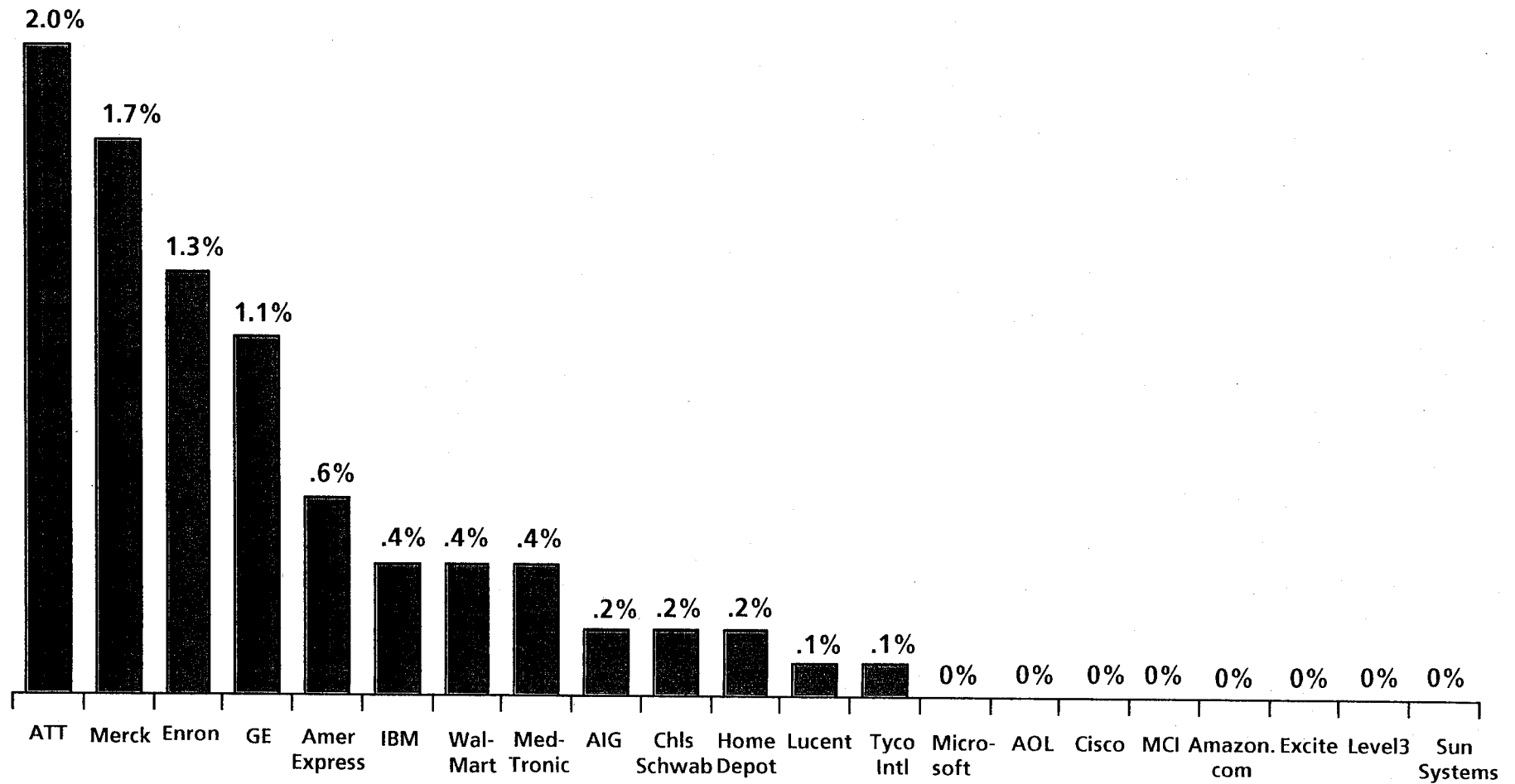
# Dividend Yield - Energy Peer Group



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# Dividend Yield – Investment Peer Group



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Board\_1099-3



## Other Business

EC004400992



Finance Committee Meeting  
1999/JM-080999

EC004400993

**Agenda Item 6**

# Adjourn

EC004400994



Finance Committee Meeting  
1999/JM-080999